

Mr. SIMMONS. That can go over. I am just trying to see if I can find any amendment that has been passed over that we can act upon this afternoon.

The SECRETARY. On page 65, under the head of "Consolidated returns," section 240 was passed over at the request of the Senator from Utah [Mr. SMOOT].

Mr. SMOOT. Mr. President, yesterday that section was disposed of, as far as the request made by me that it go over was concerned, after the Senator from Minnesota [Mr. KELLOGG] had offered his amendment, and it was accepted.

Mr. LENROOT. Mr. President, if that be true, I ask for its reconsideration now, so that it may remain open and go over. I wish to offer an amendment to section 240.

Mr. SMOOT. To the consolidated-returns section?

Mr. LENROOT. Yes.

Mr. SMOOT. Then it can go over again.

Mr. LENROOT. I ask that there may be a reconsideration.

The PRESIDING OFFICER. Is there any objection to the reconsideration?

Mr. SIMMONS. I have no objection, if the Senator desires to offer a further amendment.

The PRESIDING OFFICER. Without objection, the action whereby the amendment was agreed to will be reconsidered, and the section will be passed over until tomorrow.

The SECRETARY. The next amendment passed over will be found on page 84, beginning with the subdivision "(b)."

Mr. SIMMONS. Let that go over.

Mr. SMOOT. That may go over.

The PRESIDING OFFICER. The amendment will be again passed over.

The SECRETARY. The second bracket, also; and there were passed over the amendments which follow in section 302, proposing to strike out and insert.

Mr. SMOOT. Let that go over, too, Mr. President.

The PRESIDING OFFICER. The amendment will be again passed over.

The SECRETARY. On page 105, under "Miscellaneous," section 335 was passed over at the request of the Senator from Utah [Mr. SMOOT].

Mr. SMOOT. Let that go over.

The PRESIDING OFFICER. The amendment will be again passed over.

The SECRETARY. On page 107, at the bottom of the page, Title IV, "Estate tax," was passed over at the instance of the Senator from Colorado [Mr. THOMAS].

Mr. THOMAS. Mr. President, that was with a view to the motion that I submitted to strike out, on page 123, beginning with line 23, after the word "decendent," the remainder of the sentence. I should like to take that up in the morning.

Mr. SIMMONS. Mr. President, that is all right. I am going to move to take a recess until 11 o'clock to-morrow.

Mr. THOMAS. Just a minute, Mr. President.

Mr. SIMMONS. I have not yet made the motion.

Mr. THOMAS. I am going to suggest to the Senator that there is a very important meeting of the Committee on Foreign Relations called for 10 o'clock to-morrow morning to consider two resolutions, one introduced by the Senator from Pennsylvania [Mr. KNOX] and the other by the Senator from California [Mr. JOHNSON]. They are both of great present importance, and I do not think it would be possible for that committee to finish its consideration of those resolutions and be able to attend the session of the Senate at 11 o'clock.

Mr. SIMMONS. I will state to the Senator that I was just about to say that the senior Senator from Massachusetts [Mr. LODGE] has given notice that he will make a speech to-morrow upon a resolution which he offered, I think, this morning. I have conferred with him about the matter of taking a recess until 11 o'clock and he does not offer any objection to it, as he will speak immediately after the Senate assembles and probably will occupy about an hour. By that time it will be the usual hour of assembling. I simply wanted to make that statement preliminary to making the motion—that the Senator from Massachusetts will speak in the morning when the Senate meets at 11 o'clock.

Mr. LODGE. Mr. President, in reply to what the Senator from North Carolina has said, I will state that it makes very little difference to me at what hour I speak; but there is a meeting of the Committee on Foreign Relations to-morrow at 10 o'clock which is of very great importance. It would be rather embarrassing for that committee to have a meeting of the Senate at 11 o'clock, and it would be rather difficult for me to be here. I could leave the committee, of course. My presence there is not essential.

Mr. SIMMONS. Then the Senate might take up this bill and continue its consideration at 12 o'clock.

Mr. LODGE. I have no objection to the Senate meeting at 11 o'clock, and I can arrange myself to be here at that time.

RECESS.

Mr. SIMMONS. I move that the Senate take a recess until 11 o'clock to-morrow morning.

The motion was agreed to; and (at 4 o'clock and 55 minutes p. m.) the Senate took a recess until to-morrow, Saturday, December 21, 1918, at 11 o'clock a. m.

SENATE.

SATURDAY, December 21, 1918.

(Legislative day of Sunday, December 15, 1918.)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

The Vice President being absent, the President pro tempore assumed the chair.

Mr. KENYON. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Johnson, S. Dak.	Martin, Va.	Smith, Ga.
Brandeggee	Jones, Wash.	Moses	Smith, Mich.
Culberson	Kellogg	Myers	Smoot
Curtis	Kenyon	New	Spencer
Dillingham	King	Norris	Sutherland
Fernald	Kirby	Page	Swanson
France	Knox	Penrose	Thomas
Gay	La Follette	Pittman	Townsend
Gerry	Lenroot	Poinexter	Trammell
Hale	Lodge	Pomerene	Underwood
Harding	McCumber	Saulsbury	Vardaman
Henderson	McKellar	Sheppard	Warren
Hitchcock	McLean	Simmons	
Johnson, Cal.	McNary	Smith, Ariz.	

Mr. CURTIS. I desire to announce the unavoidable absence of the Senator from Indiana [Mr. WATSON]. I will allow this announcement to stand for the day.

Mr. KING. I wish to announce the absence of the senior Senator from Minnesota [Mr. NELSON], the senior Senator from South Dakota [Mr. STERLING], the junior Senator from North Carolina [Mr. OVERMAN], the senior Senator from Missouri [Mr. REED], and the junior Senator from Delaware [Mr. WOLCOTT] on official business.

Mr. McKELLAR. The senior Senator from Tennessee [Mr. SHIELDS] is absent on account of illness.

Mr. SUTHERLAND. My colleague, the senior Senator from West Virginia [Mr. GOFF], is absent owing to illness.

Mr. CURTIS. I wish to announce the absence of the Senator from Illinois [Mr. SHERMAN] on account of illness in his family. I will let this announcement stand for the day.

Mr. SHEPPARD. I desire to announce that the Senator from California [Mr. PHELAN] and the Senator from Montana [Mr. WALSH] are detained on official business.

I wish also to announce that the Senator from Mississippi [Mr. WILLIAMS] is detained by illness.

The PRESIDENT pro tempore. Fifty-four Senators have answered to their names. There is a quorum present.

PETITIONS AND MEMORIALS.

Mr. JOHNSON of South Dakota. I have a telegram here from the Business Club of Deadwood, S. Dak., on the important subject of the Government ownership of railroads and express companies. I should like to have it printed in the Record.

There being no objection, the telegram was ordered to be printed in the Record, as follows:

DEADWOOD, S. DAK., December 19, 1918.

Hon. E. S. JOHNSON,
United States Senate, Washington, D. C.:

Resolved, That it is the sentiment of the Deadwood Business Club that railroads, express companies, telegraph, telephone, and cable lines, which were taken over for operation by the Government as a war measure, should be returned to their respective owners for operation with least possible delay, and that the country be restored to an industrial peace basis as soon as possible.

DEADWOOD BUSINESS CLUB.

Mr. NELSON presented memorials of the J. N. Collins Co., of Minneapolis; the A. M. Ramer Candy Co., of Winona; of the Roach Tisdale Co., of Minneapolis; and of the Schuler Chocolate Factory; and McCusick Towle & Co., of Winona and Minneapolis, all in the State of Minnesota, remonstrating against a

tax on candy as proposed in the pending revenue bill, which were ordered to lie on the table.

He also presented a memorial of the Janney, Semple, Hill & Co., of Minneapolis, Minn., remonstrating against the proposed tax of 10 per cent on sporting goods, which was ordered to lie on the table.

He also presented a petition from the Albert Lea Publishing Co., of Albert Lea, Minn., praying for the repeal of the present zone rate on second-class mail matter, which was ordered to lie on the table.

He also presented a memorial of the Marshall Hardware Co., of Duluth, Minn., remonstrating against an increase in the tax on guns and ammunition, which was ordered to lie on the table.

He also presented a memorial of the Raw Fur Merchants' Association of New York City, N. Y., and a memorial of the Fur Merchants' Credit Association of New York City, N. Y., remonstrating against the proposed 10 per cent tax on furs in the pending revenue bill, which were ordered to lie on the table.

He also presented a memorial of William White & Co., of Moline, Ill., remonstrating against the passage of the pending revenue bill, which was ordered to lie on the table.

He also presented a memorial of the Minneapolis Auto Trade Association of Minnesota, remonstrating against the proposed tax on automobile parts and accessories, which was ordered to lie on the table.

He also presented a memorial of the North West Haynes Auto Co., of Minneapolis, Minn., remonstrating against the proposed tax of 5 per cent on automobiles and trucks, which was ordered to lie on the table.

GOVERNMENT CONTRACTS.

Mr. KING, from the Committee on the Judiciary, to which was referred the bill (S. 4733) requiring the filing of copies of all contracts for services rendered or materials furnished to the United States or certain contractors and agencies of the United States, reported it without amendment and submitted a report (No. 627) thereon.

BILLS AND JOINT RESOLUTION INTRODUCED.

Bills and a joint resolution were introduced, read the first time and, by unanimous consent, the second time, and referred as follows:

By Mr. JONES of Washington:

A bill (S. 5218) granting an increase of pension to Alonzo R. Cole (with accompanying papers); to the Committee on Pensions.

By Mr. NELSON:

A bill (S. 5219) granting a pension to Edwin W. Gordon; to the Committee on Pensions.

By Mr. BANKHEAD:

A joint resolution (S. J. Res. 200) authorizing the Secretary of War to transfer to the Secretary of Agriculture certain war material suitable for improvement of highways, to be distributed among the several States; to the Committee on Post Offices and Post Roads.

EPIDEMIC OF INFLUENZA IN ALASKA.

Mr. JONES of Washington. Mr. President, the governor of Alaska has called to my attention a situation in Alaska that I think requires early and prompt action by the Government. That Territory, especially the southeastern part, is being ravished by the influenza, which is taking off natives by the hundreds. All the Territorial funds, the educational and medical funds, and the Red Cross funds are exhausted, and the governor has incurred obligations to the amount of seventy-odd thousand dollars more than he has money in taking care of the situation there, and the demands are increasing. From what he tells me, I think Congress ought to take action without delay, and, looking to that end, I ask unanimous consent to introduce a joint resolution, to be referred to the Committee on Appropriations, in the hope that the committee may meet soon and hear the governor and take proper action to meet the situation.

The joint resolution (S. J. Res. 199) proposing an appropriation to combat the prevailing influenza in Alaska, was read twice by its title and referred to the Committee on Appropriations.

EXCESS WAR DEPARTMENT SUPPLIES.

Mr. NORRIS. Mr. President, I submit a resolution of inquiry, and I desire to ask unanimous consent for its present consideration. The Senator from North Carolina [Mr. SIMMONS] has consented to yield for that purpose, if it does not take any time, and I am satisfied it will not.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Nebraska?

Mr. PENROSE. Let the resolution be read for information.

The PRESIDENT pro tempore. The Secretary will read the resolution.

The resolution (S. Res. 392) was read, considered by unanimous consent, and agreed to, as follows:

Resolved, That the Secretary of War be instructed to inform the Senate:

1. What amount of clothing, boots and shoes, leather, wool, cotton, and supplies of food the department has on hand that will not be necessary for the use of the Army under present conditions.
2. What action, if any, does the department contemplate in regard to the sale of such excess of supplies.
3. Is any additional legislation necessary to authorize the department to sell such supplies not necessary for the use of the Army?

SHIPS OF WAR SURRENDERED TO THE ALLIES.

Mr. KING submitted the following resolution (S. Res. 393), which was referred to Committee on Foreign Relations:

Whereas it is reported that plans are being formed by the naval authorities of the United States and the allied Governments to sink and destroy the vessels of war surrendered by Germany, according to the terms of the armistice; and

Whereas the destruction of such vessels is unnecessary and would serve no good or useful purpose, but, on the contrary, would be an unwarranted act of waste and improvidence: Now, therefore, be it

Resolved, That it is the sense of the Senate that said vessels of war be disposed of equitably between the United States and the allied powers, and that the same be adapted to proper use as vessels of war or be altered and adapted to proper use in maritime service.

THE REVENUE.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 12863) to provide revenue, and for other purposes.

Mr. SIMMONS. I should like to inquire of the Senator from Wisconsin [Mr. LA FOLLETTE] if he is ready to go on this morning?

Mr. LA FOLLETTE. Has the Senate disposed of all of the committee amendments?

Mr. SIMMONS. No; they are not all disposed of yet.

Mr. LA FOLLETTE. I will wait until they are disposed of before I offer a substitute.

Mr. TOWNSEND. May I propose an amendment? I do not care to discuss it to any extent. It was discussed before the committee, and I should like to have a vote of the Senate upon the proposition.

Mr. SIMMONS. There are some committee amendments left over and I will call them up.

Mr. TOWNSEND. I have no objection to taking up committee amendments. I know, of course, we have not disposed of the 1920 amendment, and it has to be debated, and I desire to discuss it when it comes up, but there is another amendment, a provision which was adopted by the committee, which I should like to have stricken from the bill. I am willing to reserve the matter until the proper time.

Mr. SIMMONS. There is some Senator, I do not now remember who it is, who desires to present an amendment to the section with regard to consolidated returns.

Mr. LENROOT. I desire to offer that amendment. I move to amend section 240, page 65, line 22, by inserting before the word "shall" the words "engaged in the same kind of business."

Mr. SIMMONS. I have no objection to that amendment if the Senator will, after the word "same," insert the words "or related," so as to include everything.

Mr. LENROOT. What would be the Senator's idea in inserting the word "related"?

Mr. SIMMONS. Where the work was in a coal mine, and in transporting it they were working in cooperation.

Mr. LENROOT. I have no objection.

Mr. SIMMONS. I have no objection to the amendment modified in that way.

The PRESIDENT pro tempore. The question is on agreeing to the amendment.

Mr. HITCHCOCK. I should like to hear the amendment read.

The PRESIDENT pro tempore. The Chair could not hear it himself. The Secretary will read the amendment.

The SECRETARY. On page 65, section 240, which was reconsidered last evening, line 22, after the word "corporations," insert "engaged in the same kind of business," so as to read:

(b) For the purpose of this section, two or more corporations engaged in the same kind of business shall be deemed to be affiliated—

And so forth.

Mr. PENROSE. That is not the way it was put. The word "related" was offered by the chairman.

Mr. SIMMONS. The word "related" should be inserted.

The PRESIDENT pro tempore. The Senator from Wisconsin will please send his amendment to the desk in writing.

Mr. PENROSE. There is really no difficulty about the amendment. The Senator from Wisconsin offered it, and the chairman of the committee suggested another word which the Secretary failed to read.

The PRESIDENT pro tempore. The Chair has been barely able to hear either of the Senators in regard to this amend-

ment, and the Secretary has not been able to do so. The rule requires an amendment to be reduced to writing.

Mr. SIMMONS. Mr. President, I have the amendment in writing at hand here. If the Senator from Wisconsin will give me his attention, I desire to say I think the amendment should read in this way:

For the purpose of this section two or more corporations engaged in the same or related business shall be deemed to be affiliated.

That is the amendment, Mr. President.

The PRESIDENT pro tempore. The Secretary will state the proposed amendment.

The SECRETARY. On page 65, line 2, after the word "corporations," it is proposed to insert the words "engaged in the same or related business."

Mr. HITCHCOCK. Mr. President, I would like to ask the Senator this question: Suppose one corporation is engaged in a manufacturing business and it finds it necessary, say, to construct a building for its use, or partly for its use, and it does so through another corporation, would that other corporation come within this limitation which the Senator now proposes to prescribe?

Mr. LENROOT. Certainly not if the building were only partly for the use of the corporation, and it ought not to; but if it were wholly for its use I should say "yes."

Mr. KELLOGG. Mr. President—

The PRESIDENT pro tempore. Does the Senator from Wisconsin yield to the Senator from Minnesota?

Mr. SIMMONS. The trouble with the suggestion of the Senator is that this would not apply to any one transaction, but it must be related in regular business.

Mr. HITCHCOCK. As the law has been heretofore, Mr. President, and as I think this bill proposes to leave it, any corporation could form a subsidiary corporation for some such purpose as that; but if I understand the Senator's amendment correctly, such a corporation, so formed, would not be subject to a consolidated return if it had in any degree any outside interest.

Mr. SIMMONS. Oh, no.

Mr. LENROOT. I will say in reply to the Senator that my understanding of the present regulation of the Treasury Department is that the consolidated return is now permitted only if the two corporations are engaged in the same kind of business.

Mr. HITCHCOCK. I think the Senator from Wisconsin is entirely mistaken in that. I have known of cases in which the consolidated return has been required where concerns, either mercantile or manufacturing, had constructed buildings, as in the instance I have given. The construction of a building and the operation of a building are not allied, are not similar, and are not the same business; it is only a subsidiary business, in a degree.

Mr. LENROOT. Does the Senator think, in that kind of a case, a corporation should be relieved from the payment of a war-profits tax because of the ownership of a building which it is renting to tenants?

Mr. HITCHCOCK. I do not understand that this is for the purpose of relieving such a corporation from the payment of the war-profits tax—

Mr. LENROOT. I understand it is.

Mr. HITCHCOCK. But it is for the purpose of requiring a consolidated return instead of two separate returns.

Mr. LENROOT. No; but it does, Mr. President, if I may give to the Senate my understanding of this provision as it now exists. Here is a corporation making tremendous war profits, and but for this provision it would pay a war-profits tax based upon the invested capital and income of that corporation; but if that corporation, or the individual who may own the stock in the corporation, is also engaged in some other business, or, in the instance such as the Senator from Nebraska now speaks of, an individual has erected a building and rented it to tenants, out of which there are no war profits at all, out of which he receives but a normal return, under this consolidated return section he may include all of the capital that the other corporation has invested in that building out of which it is receiving a normal return, and may have that capital included in the capital of the corporation making war profits, and thereby greatly reduce the war-profits taxes that the corporation shall pay.

Mr. THOMAS and Mr. KELLOGG addressed the Chair.

The PRESIDENT pro tempore. Does the Senator from Wisconsin yield, and, if so, to whom?

Mr. LENROOT. I yield to the Senator from Colorado.

Mr. THOMAS. I merely wish to say that the experts who have been assisting the Finance Committee in the structure of this bill informed us that this consolidated system of returns will increase instead of decreasing the revenues of the Govern-

ment. I do not think, therefore, that the construction which the Senator places upon the effect of this proposed consolidated return is a correct one.

Mr. LENROOT. I desire to ask the Senator this question: It does not require an expert to determine the fact that, if a corporation is engaged in making large war profits and it also owns stock in other corporations making only normal profits, under this consolidated return the corporation making war profits will be relieved from paying on war profits.

Mr. THOMAS. If the returns were to be made for the purpose indicated by the Senator from Wisconsin, of course the result would be as he claims; but the purpose of the consolidated return is largely as a matter of convenience, and the affairs of the different subsidiary corporations are set out in the consolidated return precisely as they would be if there were separate returns for each. It is a matter of administration, simplifying and expediting the business of the department.

Mr. LENROOT. Well, if the Senator please, the purpose in making the return can have no effect upon the results growing out of the return. The consolidated return is made compulsory.

Mr. THOMAS and Mr. KELLOGG addressed the Chair.

The PRESIDENT pro tempore. Does the Senator from Wisconsin yield further; and if so, to whom?

Mr. LENROOT. I yield further to the Senator from Colorado.

Mr. THOMAS. I merely wish to say, if the Senator will permit me to make another statement—and that is a matter, of course, with which he is as familiar as myself—the consolidated returns, which are now permissible, result from departmental regulations and not from the statute; and the manner in which they have been made conforms to the process provided for in this proposed amendment. As made they have not had the effect, if I am correctly informed, now predicted by the Senator from Wisconsin.

Mr. KELLOGG. Mr. President—

The PRESIDENT pro tempore. Does the Senator from Wisconsin yield to the Senator from Minnesota?

Mr. SMOOT. Mr. President, I think the Senator from Colorado—

The PRESIDENT pro tempore. The Senator from Minnesota [Mr. KELLOGG] has been attempting to get the floor, and the Chair has asked the Senator from Wisconsin if he yielded to the Senator from Minnesota. Does the Senator from Wisconsin yield to the Senator from Minnesota?

Mr. LENROOT. I yield to the Senator from Minnesota.

Mr. SMOOT. I wish to say to the Chair that I thought the Senator from Wisconsin had yielded to me.

The PRESIDENT pro tempore. The Senator from Wisconsin has yielded to the Senator from Minnesota.

Mr. SMOOT. Excuse me. I did not know that.

Mr. KELLOGG. Mr. President, if I understand the Senator from Wisconsin [Mr. LENROOT], what he wishes to accomplish is this: The Senator does not object to a consolidated return in the case of what may be called an integrated business. If a manufacturing corporation must have a separate company to produce its raw materials and another company to transport the raw materials, and perhaps another company in this or in a foreign country to sell the manufactured materials, the Senator does not object to such a company rendering a consolidated return and the tax being paid on such consolidated return; but what he does object to is a corporation organizing or having stock in an entirely unrelated business simply for the purpose of reducing its taxes. If the amendment will accomplish the object which the Senator seeks, it would seem to me it would be a fair amendment if the Treasury Department believes that to be the result of the amendment.

Mr. SIMMONS. Mr. President, I did not understand that the Senator from Wisconsin was particularly opposing the consolidated return in the original section of the bill, but that he was proposing to amend it so as to make it better, in his judgment.

Mr. LENROOT. I am not opposed to the kind of a case which the chairman of the committee in his opening speech gave an illustration of, where a corporation was really engaged in the same kind of business. The Senator from Utah, I think, gave an illustration of a chain of stores, where, for convenience sake or possibly because of State laws, they were organized in different States, but were really one business.

Mr. SIMMONS. Where they were really one business.

Mr. LENROOT. I am not objecting to that; but I am objecting to the case where a corporation engaged in one line of business, making very large profits, may utilize the capital and returns of another corporation not making large profits to reduce the tax that it pays to the Government.

Mr. SIMMONS. In that, I think, I agree with the Senator. I think his amendment is very helpful, and I hope it will be adopted.

Mr. KING. Mr. President, will the Senator yield?

The PRESIDENT pro tempore. Does the Senator from Wisconsin yield to the Senator from Utah?

Mr. LENROOT. Yes.

Mr. KING. I think the Senator from Wisconsin in the statement that he has just made suggests a limitation that goes too far. I do not think that in the case of two corporations controlled by the same forces or the same individuals, and engaged in the same business—for instance, the manufacture of munitions—one in one town and one in another, one of which is profitable and the other is unprofitable, the losses of the unprofitable should be subtracted from the profits of the profitable for the purpose of diminishing the taxes. There they would be engaged in the same business; that is, the same character of business; but it does seem to me that it would be wholly improper and certainly unfair to the Government to permit the unprofitable concern to subtract its losses from the profits of the profitable one.

Mr. LENROOT. Mr. President, may I say to the Senator that when this amendment is disposed of I shall offer another amendment striking out from the paragraph the provision authorizing consolidated returns in the case of individuals holding the stock of two or more corporations, even though they are doing the same kind of business. If one corporation has subsidiary corporations engaged in the same kind of business I think it is proper that a consolidated return be permitted; but if one man owns a dozen corporations in different States, although they are engaged in the same business, the fact that an individual owns the corporations should not permit consolidated returns, thus relieving those corporations from just taxation.

Mr. KING. Mr. President, let me invite my friend's attention to the fact that in the mining districts can be found an exemplification that may result from the interpretation which I think can legitimately be placed upon this section. A and B may incorporate to operate a copper-mining claim and may also incorporate to operate a lead mine. From the copper property they may derive enormous profits, while the lead property, perhaps a hundred feet away, will be very unprofitable. The ownership is the same. It seems to me that it would be very unfair and very unjust to the Government for those individuals to take from the profits that they have made from the copper property the losses that they have sustained in the lead property for the purpose of diminishing the taxes which ought to be paid by the copper property corporation to the Government.

Mr. LENROOT. Mr. President, I will repeat that I expect to cover that question when the pending amendment is disposed of by offering another amendment to the committee proposal.

Mr. KING. I think the entire section is so dangerous that perhaps, in the interest of the Government, it ought to go out altogether.

The PRESIDENT pro tempore. The question is on agreeing to the amendment proposed by the Senator from Wisconsin to the amendment proposed by the committee.

The amendment to the amendment was agreed to.

The PRESIDENT pro tempore. The question now is on agreeing to the amendment of the committee as amended.

Mr. LENROOT. I offer another amendment.

The PRESIDENT pro tempore. Is the Senator's amendment to the same amendment reported by the committee?

Mr. LENROOT. It is another amendment to the amendment of the committee.

The PRESIDENT pro tempore. The Secretary will state the proposed amendment to the amendment.

The SECRETARY. At the bottom of page 65, line 25, after the word "others," it is proposed to strike out the words "or if substantially all the stock of two or more corporations is owned or controlled by the same interests."

Mr. KING. May I ask the Secretary to state the amendment again?

The PRESIDENT pro tempore. The Secretary will again state the amendment.

The amendment was again stated.

Mr. LENROOT. Mr. President, this amendment reaches the question just raised by the Senator from Utah [Mr. KING]. Under the language of the amendment as reported by the committee, if adopted, we will have this kind of a situation: There may be three or four corporations in a given locality and three or four other competing corporations, some of which are making money, some of which are making war profits, and some of which are making only normal profits. If one man or one group of men own the three or four corporations, some of which are making exorbitant profits, others of which are making normal profits, and some of which may be making no profits at all, the amendment reported by the committee will permit consolidated returns of all of those corporations, depending upon the owner-

ship by an individual of the corporations. In other words, it does this: The very wealthy man who may own several corporations will pay very much less taxes to the Government, and the Government will receive very much less revenue from those corporations by reason of the ownership of those corporations by an individual than it would receive from those same corporations if they were owned by different individuals.

Mr. NORRIS. Mr. President—

The PRESIDENT pro tempore. Does the Senator from Wisconsin yield to the Senator from Nebraska?

Mr. LENROOT. Yes.

Mr. NORRIS. I am in sympathy with what the Senator is trying to accomplish, and perhaps his amendment will accomplish exactly what he expects it to do; but this idea has occurred to me: Suppose the Senator's amendment is agreed to, would it not be possible for these same individuals to incorporate and let the parent corporation own the stock rather than the individuals and thus avoid the effect of the provision which the Senator seeks to incorporate in the bill?

Mr. LENROOT. I think that is true, except that these very high taxes are levied for the year 1918, and they could not incorporate to escape the taxes that are really levied by this bill. That is the answer to the question.

Mr. NORRIS. I think that is a good answer, at least so far as the year 1918 is concerned; but they might adopt some such procedure for the next year.

Mr. LENROOT. As to the other proposition, I think that I can see within proper bounds for permitting consolidated returns. In some cases benefit may actually result to the Government by such a consolidation, while, of course, in others it will not; but we ought not by an amendment to offer a premium to enable a corporation or an individual owning a corporation to escape war profits.

Mr. President, the language of the amendment as reported by the committee does just this: It gives a premium, it gives a bonus, to the man who has control over a large number of corporations, tending to monopoly and tending to trusts in restraint of trade. The Government would take from the corporations owned by that man very much less in taxes than it would take from the same corporation if owned by separate individuals. It seems to me, Mr. President, that such a course can not be justified. Merely because Mr. Rockefeller, for instance, may own the stock of half a dozen corporations ought not to relieve those corporations from paying the same tax to the Government that those corporations would pay if they were owned by different individuals.

The PRESIDENT pro tempore. The question is on the amendment offered by the Senator from Wisconsin to the amendment reported by the committee.

Mr. SIMMONS. Mr. President, I simply desire to say that this question of consolidated returns has been a very much mooted question. The Commissioner of Internal Revenue under the present law, although it was not expressly authorized, provided by regulation for consolidated returns in the case of the excess war-profits tax. The question was raised, first, as I understand, in the appropriate committee of the House as to the effect of that practice upon the revenues of the Government. Admittedly it is in the interest of easy and expeditious administration. It was contended, however, that possibly it might reduce the revenues of the Government because of the situation that the Senator from Wisconsin has presented.

The House did not authorize the continuance of this practice by the commissioner. It expressly prohibited it, and it did so upon the idea, as I am advised, that the result would be a diminution in the revenues of the Government. When the matter came before the committee of the Senate for revision we requested the authorities of the department to make a thorough investigation, based upon the experience of the department with reference to these consolidated returns as practiced under the present bill; and as a result of that investigation—very thoroughly made, as they have advised us—they found that instead of reducing the taxes of the Government it increased the taxes of the Government. Of course, we were advised that there would be cases in which the revenue would be less and that there would be cases in which the revenue would be greater; but, taking the average, we were informed that the returns to the Government were greater under this system than under the method provided by the House.

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. SIMMONS. I yield to the Senator from Wisconsin.

Mr. LENROOT. I should like to ask the Senator two questions. First, I should like to ask him whether, under the present practice of the Treasury Department, the department permits a consolidated return depending upon the ownership by an individual of the stock of corporations?

Mr. SIMMONS. I am advised that it does.

Mr. LENROOT. Does the Senator think that there is any authority in law for doing that?

Mr. SIMMONS. Will the Senator repeat his question?

Mr. LENROOT. My question was whether the Treasury Department now, in permitting or requiring consolidated returns, permits or requires them, not depending upon the ownership of one corporation by another, it being a subsidiary corporation, but permits or requires a consolidated return depending upon the ownership of the stock of two or more corporations by an individual or group of individuals?

Mr. SIMMONS. Mr. President, it is very clear that if the stock of two corporations is substantially owned and controlled by one individual or a number of individuals, that is a unity of interest, and that is the basic principle of this amendment—that where there is a substantial unity of interest in both corporations or in both concerns, whatever may be their character, there may be a consolidation of their returns, because it is substantially the same interest, however owned. I do not conceive that it makes any difference whether it is owned by an individual or owned by a corporation. If the individual, as a matter of fact, owns a sufficient amount of the stock of the corporation to absolutely control that corporation, and owns a majority of whatever profits it makes, I do not see that that changes the situation at all. How does that differ from the case of a number of individuals joining their stock and controlling a corporation? Here you have, in the case of one individual, the same condition that you might have in another case as applied to five individuals interested in identically the same thing.

Mr. LENROOT. If I may answer that, there is just this difference—that you are offering a premium to large aggregations of capital, and saying to those large aggregations of capital: "The Government will take from you in taxes less than it will take from competing individuals." That is the answer.

Mr. SIMMONS. Mr. President, you would be offering that premium, as the Senator says, provided as the result of actual experience it is shown that you are granting a privilege to them, that you are permitting them to escape with a less tax. But when the proposition is sustained by the experience of the department, showing that, taken as a whole, it is not a privilege, but it is a burden, you do not reduce, as the result taken as a whole, the taxes that have to be paid and that the Government receives, but you increase the taxes to be paid and which the Government receives.

But, Mr. President, there is even a stronger argument than that in behalf of this general proposition. I think it requires only a little bit of analysis and reflection to see that if you permit separate returns for these great concerns that are substantially owned and directed by the same interest, you open the door to all sorts of manipulations, both as to capital and as to income. They may assign capital excessively to one concern, if it is to their interest to do it; they may assign income excessively to one concern, if it is to their interest to do it; and by manipulating the income and the investment of these affiliated corporations they may avoid and escape just taxation. Now, if you can treat them as a unit, the department can protect the Government against that sort of manipulated returns.

I am told—I do not know whether it is true or not—by representatives of the department that the department is in possession of information, since the passage of the bill through the House prohibiting consolidated returns, that there is a system being developed right now in this country, that some of the shrewdest talent of this country is being engaged in developing it, by which that can be made the means of so manipulating the returns of the taxpayers as to escape taxation upon a broad and big scale.

Mr. LENROOT. Mr. President, the Senator states that experts of the Treasury Department have advised the committee that the committee amendment would increase rather than decrease the revenue of the Government. In reply to that I will say that that can not be so if the Treasury Department performs its duty in allocating invested capital and incomes. It can only be true if the Treasury Department permits a corporation to assign to another corporation a greater proportion of income than belongs to that corporation, or a greater amount of capital than belongs to that corporation. But even if that were so, it would only come about through an increase—for the Senator states that he is speaking of the average—in the taxes of some corporations, thereby making up a deficit that will be created by the exemption from taxation of the war profits of other corporations. Even though that be true, it ought not to be a correct policy to lay down the rule that the wealthy corporation shall be permitted to escape its fair share of taxes if

we make it up from some smaller corporation, so that the Government in the end does not lose revenue.

It is very plain, Mr. President—it must be plain to every Senator—that if there is a wealthy group of men, who of course own many corporations, a wealthy group of men making enormous profits out of this war, if they shall be permitted to include the stock, the capital, and returns of every other corporation that they may own—and of course they own a great many, some of them perhaps making losses, some of them making only a normal return—they will be permitted to utilize those corporations to escape their share of the tax on the war profits.

I have no hesitation in saying that if this provision remains in the bill, considering the fact—as fact it is—that most of these great corporations engaged in war activities are owned and controlled by a small group of men also owning and controlling many other corporations, it will readily be seen that the loss to the Government in revenue from the incorporation of this provision in the bill will run into hundreds of millions of dollars. It is one of these instances where, on the face of a bill, we seem to be exacting a very large share of the profits of corporations engaged in war activities, but in other parts of the bill there are concealed—I do not say intentionally by the committee, but nevertheless found there—provisions which it is difficult for any Member of the Senate, especially one who is not a member of the committee, to ferret out and find out whereby these war-profit-making corporations may escape their taxes on war profits. It is very difficult to ascertain the loopholes in this bill which do permit them so to escape. Nevertheless, they are there; and this provision that I seek to strike out is one of them. I say that if it does remain in the bill, the war profits that seem to be imposed upon these corporations would be very greatly reduced, without any justice and without any equity.

Mr. McCUMBER. Mr. President, the Senator from Wisconsin asserts very vociferously that the taxes will necessarily be reduced. The experts of the department say that they will be increased, and that was the testimony that was given before the committee—that the result of this change will be to increase and not decrease the taxes.

Mr. SIMMONS. That was the result of testing it out on the returns of last year.

Mr. McCUMBER. Yes; that was the result of testing it in connection with the returns of last year.

Mr. LENROOT. Mr. President—

Mr. McCUMBER. Now, the Senator from Wisconsin assumes that, in the majority of cases at least, the subsidiary corporations will not be making good profits; that there will be normal profits, or very little profits, or no profits, or losses; and that those will necessarily be deducted from the gains made by the principal corporation. But let us suppose, Mr. President, that you have here a corporation that makes a hundred million dollars, and that that is the principal corporation. It has 10 subsidiary corporations, each of them making \$10,000,000, we will say. That would be another \$100,000,000. Now, add those together and you have \$200,000,000; and if in a consolidated return you base your excess profits upon the \$200,000,000, the Government is going to get more money out of it than the Government would get out of it if you were to allow each one of the subsidiary corporations to make its exemptions and then pay on a basis of a very much less income. So the result will be, on the whole, that you would lose rather than make.

Mr. SMITH of Michigan. Mr. President—

The PRESIDENT pro tempore. Does the Senator from North Dakota yield to the Senator from Michigan?

Mr. McCUMBER. I do.

Mr. SMITH of Michigan. I should like to ask the Senator before he takes his seat what would be the effect if in the one company the owner or principal owner was making \$100,000,000 and in each of a dozen subsidiary companies he was losing a million or two or three millions?

Mr. McCUMBER. Necessarily, Mr. President, there would be a loss; but inasmuch as the facts show that practically all of our corporations are doing well and making money, and making more money than they ever did before, and practically all of them are making excess profits, if you will add the excess profits of the subsidiary corporations to the excess profits of your principal corporation you will have a very much bigger tax for the Government than you would get if you should allow each one of the subsidiary corporations to make its deductions which are allowed by law and then to pay a less percentage upon a less amount of income.

Mr. NORRIS. Mr. President, may I ask the Senator from North Dakota, before he takes his seat, whether it is not true that in the illustration he has given he has not taken into con-

sideration the capital of the subsidiary corporations? Even though they all make a profit, I desire to ask him whether, in the aggregate, the tax would be greater than though they paid their tax separately? Would it not depend upon the size and the capitalization of these various subsidiary corporations?

Mr. McCUMBER. Whether they would make profits, or whether they would make losses, or whether they would break even, necessarily would depend upon the amount of capital invested as compared with the income received; but I am assuming that they are making a fair return upon their capital in most instances.

Mr. NORRIS. So am I. I am assuming that that is true, and I am just trying to get the real meat in the coconut if there is any. But the Senator, in adding the excess profits of the subsidiary corporations to those of the mother corporation, has said that that would make a largely increased profit, which would be true, and the rate would be higher as you go up.

Mr. McCUMBER. Certainly.

Mr. NORRIS. But it would be reduced by the amount of the capitalization, and the other deductions that each separate corporation would be entitled to make. They could take it out of the consolidated amount, just the same as though they made individual returns; so that that would be an element to consider, as to whether it would be an increase or a decrease.

Mr. McCUMBER. Yes; but if you will take a total of \$200,000,000, and take \$100,000,000 that will make a certain profit, we will say of \$50,000,000 over the prewar conditions, and you take the other \$100,000,000 which is earned by 10 other corporations, which is only \$10,000,000 apiece, and then allow them their amount of exemptions, placing them in lower brackets than they would be placed in if they were added to the other \$50,000,000, the Senator can easily see that there would necessarily be a loss to the Government.

If the hypothesis of the Senator from Wisconsin [Mr. LENROO] is correct—that in the majority of cases, even in those that he mentions, where an individual interest owns the stock in a great many corporations, it would lower the taxes—of course, his argument would be good; but the evidence before the committee was just exactly to the contrary, and what we know of business in 1918 is that practically all corporations have made excess profits.

THE COMING TREATY OF PEACE.

Mr. LODGE. Mr. President, I regret to interrupt the debate, but I asked permission of the Senate a day or two ago that I might address them to-day on the question of the peace, which is the greatest question now before the world.

In the field of battle the great war has come to an end. The fighting with the German armies has stopped. An armistice, which amounts to an unconditional surrender on the part of the Germans, has been signed and is in course of fulfillment. But the peace is yet to be made. We must not lose in the terms of peace the fruits of the great victory which the armies of the allies and of the United States have won. A heavy responsibility, therefore, rests upon everyone who is to have any part, no matter how small, in the making of peace. The share of the Senate of the United States in that great work is very large and of decisive importance. No treaty can become binding upon the United States or be made the supreme law of the land without the consent of the Senate. The Constitution also gives to the Senate the right to advise as well as to consent, and it is the clear right of the Senate to offer its advice, whether invited or unasked, at any stage of the negotiations. Cases are not lacking in our history where Presidents have consulted the Senate before taking action in our foreign relations.

In 1902 I wrote an article on the treaty-making power of the Senate, and I there gathered together, I think, all the instances in which the Senate advised with the President before entering upon negotiations or upon any diplomatic transaction. They are very many. I am going to call attention to only two or three of them. The first one does not relate so directly to the situation now existing as some of the others.

In 1813 President Madison sent in a nomination for minister to Sweden to open diplomatic relations with that country and the Senate appointed a committee to confer with the President upon the subject. The discussion turned upon the President communicating through a committee of the Senate, but he makes a general statement, which I desire to read, because I think it is not without interest. He said:

Without entering into a general review of the relations in which the Constitution has placed the several departments of the Government to each other, it will suffice to remark that the Executive and Senate, in the cases of appointments to office and of treaties, are to be considered as independent of and coordinate with each other.

How queer and old-fashioned it sounds to hear a President speak of the Senate as "an independent and coordinate body," and yet Mr. Madison was one of the framers of the Constitution,

one of its principal authors, and in his day was considered a very able man.

On March 3, 1835, the Senate passed the following resolution:

Resolved, That the President of the United States be respectfully requested to consider the expediency of opening negotiations with the Governments of other nations, and particularly of the Governments of Central America and New Grenada, for the purpose of effectually protecting, by suitable treaty stipulations with them, such individuals or companies as may undertake to open a communication between the Atlantic and Pacific Oceans by the construction of a ship canal across the isthmus which connects North and South America, and of securing forever, by such stipulations, the free and equal right of navigating such canal to all such nations, on the payment of such reasonable tolls as may be established, to compensate the capitalists who may engage in such undertaking and complete the work.

There the Senate advised the President to enter on certain negotiations, and the President was Andrew Jackson, a man usually reputed in history to have had a somewhat determined will and to be at times perhaps a little arbitrary. Did he resent it? On the contrary, on January 9, 1837, nearly two years afterwards, President Jackson replied to this resolution stating that in accordance with its terms an agent had been sent to Central America but that from his report it was apparent that conditions were not such as to warrant entering upon negotiations or treaties relating to a ship canal.

President Van Buren, on June 7, 1838, sent in a message announcing that he intended to authorize our chargé d'affaires to Peru to go to Ecuador and, as agent of the United States, negotiate a treaty with that Republic. Before doing so, however, he thought it proper, in strict observance of the rights of the Senate, to ask their opinion as to the exercise of such a power by the Executive in opening negotiations and diplomatic relations with a foreign State.

President Polk, on June 10, 1846, sent to the Senate a proposal in the form of a convention in regard to the Oregon boundary submitted by the British minister, together with a protocol of the proceedings, and on this he asked the advice of the Senate as to what action should be taken. The message then continues as follows:

In the early periods of the Government the opinion and advice of the Senate were often taken in advance upon important questions of our foreign policy. Gen. Washington repeatedly consulted the Senate and asked their previous advice upon pending negotiations with foreign powers, and the Senate in every instance responded to his call by giving their advice, to which he always conformed his action. This practice, though rarely resorted to in later times, was, in my judgment, eminently wise and may, on occasions of great importance, be properly revived. The Senate are a branch of the treaty-making power, and by consulting them in advance of his own action upon important measures of foreign policy, which may ultimately come before them for their consideration, the President secures harmony of action between that body and himself. The Senate are, moreover, a branch of the war-making power, and it may be eminently proper for the Executive to take the opinion and advice of that body in advance upon any great question which may involve in its decision the issue of peace or war.

On August 4, 1846, President Polk, by message, consulted the Senate as to entering on peace negotiations with Mexico and advancing to that country a portion of the money to be paid as consideration for the cession of territory.

On February 21, 1861, President Buchanan asked the advice of the Senate as to entering into a negotiation with Great Britain for a treaty of arbitration in regard to a controverted point in the Ashburton-Webster treaty of 1846. His own words are: "The precise questions I submit are three: Will the Senate approve a treaty," and so forth.

On March 16, 1861, President Lincoln, in his first message to the Senate, repeated the questions of his predecessor as to entering upon this negotiation for an arbitration with Great Britain, and said, "I find no reason to disapprove the course of my predecessor on this important matter, but, on the contrary, I not only shall receive the advice of the Senate therein, but I respectfully ask the Senate for their advice on the three questions before recited."

Lincoln, I think, could hardly be described as a poor-spirited man, and yet that was the view he took of the relation between the Senate and the President.

May 13, 1872, President Grant sent a message to the Senate relating to differences which had arisen under the treaty of Washington, and said: "I respectfully invite the attention of the Senate to the proposed article submitted by the British Government with the object of removing the differences which seem to threaten the prosecution of the arbitration, and request an expression by the Senate of their disposition in regard to advising and consenting to the formal adoption of an article such as is proposed by the British Government."

"The Senate is aware that the consultation with that body in advance of entering into agreements with foreign States has many precedents. In the early days of the Republic Gen. Washington repeatedly asked their advice upon pending questions with such powers. The most important recent precedent is that of the Oregon boundary treaty, in 1846.

"The importance of the results hanging upon the present state of the treaty with Great Britain leads me to follow these former precedents and to desire the counsel of the Senate in advance of agreeing to the proposal of Great Britain."

On March 3, 1888, the Senate passed a resolution asking President Cleveland to open negotiations with China for the regulation of immigration with that country. President Cleveland replied that such negotiations had been undertaken.

Mr. BRANDEGEE. The Senator has referred to this as an article prepared by him. Will he give the title of it and where it can be found?

Mr. LODGE. It is printed as a Senate document, Fifty-seventh Congress, first session, Document No. 104.

It will be observed, Mr. President, that nearly all the Presidents have consulted the Senate in advance of negotiations, and they lay stress on the fact of the importance of the two branches of the treaty-making power consulting together before diplomatic negotiations of great moment are entered upon. No diplomatic negotiation ever entered upon compares in importance with that now pending.

President Polk, President Van Buren, and President Jackson, who was a soldier, Gen. Grant, who had been a great commander, all thought it expedient, and we have above all the precedent of the action of Washington and Lincoln, and, although I know a good deal of time has elapsed since they died, I think they are still considered two very great men.

Mr. LA FOLLETTE. Mr. President—
The PRESIDENT pro tempore. Does the Senator from Massachusetts yield to the Senator from Wisconsin?

Mr. LODGE. Certainly.
Mr. LA FOLLETTE. I am loath to interrupt the Senator, but I should like to quote right in connection with what the Senator has been saying with reference to the position of Washington and Lincoln the views of President Wilson as set forth in a brief paragraph—

Mr. LODGE. I think I was about to quote it.
Mr. LA FOLLETTE. I beg the Senator's pardon.

Mr. LODGE. If it is not, the Senator can add it to mine.
I was going to say, Mr. President, in concluding my precedents, that even our present President recognized the possibility of original thought on the part of Congress when he said in his message of December 4, 1917:

If I have overlooked anything that ought to be done for the more effective conduct of the war, your own councils will supply the omission.

I yield to the Senator from Wisconsin if what he has is different.

Mr. LA FOLLETTE. The quotation I wish to present is very different from that. It presents tersely the views of Mr. Wilson a year or two before he became President. In his work on Constitutional Government in the United States, published in 1911, Mr. Wilson clearly defined his views as to the unlimited and exclusive prerogative of the Executive in dealing with foreign affairs. I now quote a short paragraph from that work. He said:

One of the greatest of the President's powers I have not yet spoken of at all—his control, which is very absolute, of the foreign relations of a nation. The initiative in foreign affairs which the President possesses without any restriction whatever is virtually the power to control them absolutely. The President can not conclude a treaty with a foreign power without the consent of the Senate, but he may guide every step of diplomacy; and to guide diplomacy is to determine what treaties must be made if the faith and prestige of the Government are to be maintained. He need disclose no step of negotiation until it is complete, and when in any critical matter it is completed the Government is virtually committed. Whatever its disinclination, the Senate may feel itself committed also.

Mr. LODGE. Let timid souls then take courage and be cheerful. There is nothing either in law or good manners or custom which stands in the way of advice from the Senate to the Executive charged with initiating and carrying on negotiations when the Senate thinks advice desirable. Let me not be understood in saying this as reflecting in any way upon the President's failure to give the Senate representation among the delegates charged with the work of formulating the peace. While I think it a grave mistake on the part of the President to ignore the Senate, because our ultimate responsibility in making the peace is quite equal to his own, I have no fault to find with his not appointing Senators as delegates to the conference. There is no obligation whatever upon him to make such appointments. It has been done, I believe, only once in our history, and that was when President McKinley sent three Senators to Paris as delegates to make the peace with Spain. The fact that three Senators signed that treaty certainly helped in its ratification, which was strongly contested, and it seemed to me at the time that this was a fortunate circumstance, because it is extremely de-

sirable that peace treaties should be promptly ratified and with general approbation.

This, however, is something wholly different from the proposition that the Senate should know nothing about the treaty or the considerations which led to the adoption of its terms until it is actually laid before them. It is equally distant from the sister proposition that it is an impertinence on the part of the Senate to dare to have or to express opinions upon the terms of a peace which involves the fate of the civilized world. After all, Senators are men of voting age and not devoid of responsibility. In the present situation, which is grave beyond comparison, I think it is of the last importance that those concerned in the actual negotiation of the treaty should at least know the views of the Senate so far as the Postmaster General, in control of the cables, and Mr. Creel, in control of the news, will permit the opinion of the Senate to be transmitted to Paris.

In the present unparalleled situation the right of the Senate to advise as to a treaty becomes a solemn, an imperative, duty. We can not compel information, but we are abundantly able to make our own opinions known not only to the President but to the allies, who have a very clear and even acute idea of the power of the Senate in regard to treaties. They must know that the Senate can reject and often has rejected treaties. Others the Senate has refused to ratify and held without action. Many others have been vitally amended. The allies should not be kept in the dark as to the views of the Senate nor should the Senate keep silent as to its own opinions or as to the wishes and demands of the American people. The plan seems to be to project upon the Senate the most momentous treaty ever made without any information as to the steps which led to it or as to the arguments and conditions which brought about its adoption. This scheme, which is indicated by all the facts known to us, rests on the theory that the Senate, although possessing the power, would not and could not dare to reject a treaty of peace. This unworthy calculation is perhaps sound in practice, and yet I have seen a peace treaty bitterly opposed and ratified, after the exertion of the most powerful influences, with only two votes to spare. But if a treaty of peace might not be rejected it can be debated and amended, and I can conceive of extraneous provisions wholly needless for a peace with Germany being unwisely added, provisions which would surely be stricken out or amended, no matter how many signatures might be appended to the treaty. Protracted opposition and amendments mean long delays, and delay is only less unfortunate than rejection. All these untoward results can be avoided if the Senate frankly expresses its views beforehand on certain leading points for the consideration of the allies and of the President himself.

We have had already some important, able, and illuminating debates upon at least one question with which it is supposed the peace delegates will be called upon to deal. I repeat that I should be glad if those debates could be supplemented by some definite resolutions expressing the views of the Senate tersely and simply on some of the most important points. Whether the Senate will take such action—although I know that we have very definite opinions—I can not tell because there seems to be a feeling among some Senators that it is an act of intolerable audacity for the Senate even to suggest to the Executive that it has opinions which ought to be considered. Personally I do not share that view. It appears to me more becoming to an autocratic government or to a dictator than to the constitutionally representative democracy which has thus far made the Government of the United States so successful and which has raised the country to the peak of greatness to which it has attained. But if the Senate is not ready to take action as a body, which I earnestly hope they may determine to do, I desire at least to express my own views of the situation.

We have had a great deal of eloquence expended here on the beauties of peace and the horrors of war. We have had flaming appeals to the God of justice and all the usual rhetorical accompaniments which go with an earnest desire to shun unpleasant facts. I have no fault to find with the rhetoric or the eloquence of the eulogies of peace and the denunciations of war. They have all been uttered many times and will be said over many times more. They have one distinct advantage. Everybody agrees with them. They have one very great disadvantage. They lead nowhere except into a pathless jungle of words. The mighty questions which confront us can not be settled or even intelligently dealt with by words and phrases or by setting forth in glowing terms, consecrated by long use, what are called ideals. We must deal with human nature as it is and not as it ought to be if we are to have any beneficial and effective results or if we are to convert ideals into realities. Let me therefore assume what is undoubtedly true, that we are all agreed in a fervent desire for peace and in an ardent hatred for war, and that

we all hope to have justice and righteousness prevail, and that we are all alike seeking to secure a durable peace. This agreement effected, let us come down to facts. In what I am about to say I shall confine myself to stating the facts which I believe are beyond dispute as simply as possible without ornament and without any attempt at eloquence or epigram.

Peace being our object, the first step toward peace is to make a peace with the country with which we have been and are at war—that is, with Germany. If the peace with Germany is to be durable, terms must be exacted which will make it, so far as human foresight goes, impossible for Germany to break out again upon the world with a war of conquest. This can not be done merely by treaty engagements and signatures to documents. At this juncture of affairs Germany would sign anything, and her pledge would be as worthless as the guaranties she gave to Belgium. It is well also to remember that Germany did not change her nature overnight when the Kaiser ran away to Holland. The deep-rooted ambitions, the evil principles carefully instilled for half a century, the barbarous methods and doctrines all remain unaltered. Physical guaranties which when taken would make signatures to treaties negligible can alone assure a durable peace with Germany. I do not need to rehearse what those physical guaranties should be, for I have stated my views upon them more than once to the Senate, and I think there is general agreement upon them not only in the Senate but among the American people. They include the restoration of Belgium, the return of Alsace-Lorraine to France, of the Italia Irredenta to Italy, the establishment of a Jugo-Slav State, and of an independent State formed by the Czecho-Slovaks. They include also the security of Greece, the settlement of Albania and Montenegro, the restoration of Roumania, the consolidation of all the Roumanian people under one government, as well as the neutralization of the straits, the putting of Constantinople under international protection, with Greece perhaps as the mandatory of the powers to administer the affairs of the city, the independence of Armenia, the return of those portions of Asia Minor where Greeks are predominant to Greece, the protection of Syria and Palestine from the Turks, a large, powerful, and independent Polish State, the independence of Russia's Baltic Provinces, the return of Danish Slesvig to the Danes, and the neutralization of the Kiel Canal. These physical guaranties which I have thus far suggested all have one object, and that is to hem Germany in that she can not attempt conquest in Russia or in the East, and that the Slavic populations, which she has mercilessly used in her wars, can never be so used by her again. In addition to these guaranties, there must be heavy indemnities paid by Germany for the ruin she has wrought in Belgium and northern France and in Italy and for her destruction of vessels, both neutral and belligerent, through the use of submarines. In those indemnities the United States must have its proper and proportional share, not only direct indemnity for its ships destroyed by submarines and its people murdered on the *Lusitania* and other vessels, but a suitable restitution, in part at least, of the vast expenses forced upon us by Germany.

It will be for the peace conference to determine what disposition should be made of the German colonies, but one thing is essential, and that is that they should not be returned to the tyrannical misgovernment of Germany and that she should be deprived of those means for extending her commerce and building up military outposts in all parts of the world. The payment of the indemnities will be a work of time, and it will be necessary to take and hold ample security for the extinction of these debts. It is the duty of the allies and the United States to meet and determine what terms they will impose upon Germany, and then, and not until then, call in the representatives of Germany and impose the terms upon them. When this is done, the first great step will be taken toward the establishment of the world's peace. If we eliminate Germany from the opportunity to make war, the only source from which a great war is likely to come would be closed for generations.

Such in outline are the necessary steps demanded by exact justice, upon which, I think, the United States and the allies are substantially agreed, in order to make a lasting peace with Germany. But making peace by imposing the terms which we think proper upon Germany is only half the work which at this moment must be done. The peace must not only be made and agreed to, but it must be effective, and to render the peace effective there is much more to do than can be done by ink and paper. The first thing needful is to face the situation and look facts in the face. Nothing can be accomplished unless we work in complete harmony with those who are associated with us in the war against the central powers. I know very well that technically we had no treaty of alliance with the allies by whose side we fought, but technicalities are of no consequence in the

presence of facts. No treaty of alliance could have caused a greater unity of action than was established between us and the nations with whom we joined in the war against Germany. Binding arrangements were made for common action in regard to food supplies, in regard to fuel, in regard to munitions of war, for the building of railroads and docks and everything concerning the supply of the armies in France. Our Navy worked in close alliance with the navies of Great Britain, France, and Italy. Our troops served under the command of a French marshal. All these things were vitally necessary, and these relations must be continued if we are not to lose at the peace table what we won in the field. To attempt in any way to separate us from our allies now or to prevent perfect unity of action is as harmful as such efforts were when we were fighting in northern France and on the plains of Flanders. To encourage or even to permit any serious differences to arise between the United States and Great Britain, or with France, or Italy, or Belgium, would be a world calamity of the worst kind. Any serious difference among English-speaking people would be deplorable in the highest degree. Any thought of war among them would be as abominable as it is inconceivable. To differ greatly with France, bound to us by so many ties of faith and affection, or with Italy or Belgium, is unthinkable.

Do not forget, however, that German propaganda with this object in view is as active and poisonous to-day as it has ever been. The people here and in the allied countries who were favorable to Germany are again busy in the effort to part the allies and the United States from each other, and their efforts find expression in dispatches in the newspapers and in the thousand and one forms with which we have been painfully familiar in the years just past. We must have common action now in making the peace as we had in carrying on the war, and this unity between us and the allies is the first essential condition for a successful peace.

We are also confronted with the great difficulty of finding a government in Germany capable of making a peace and fulfilling its international obligations. This is a problem which must be faced and which will require the greatest wisdom and caution of which the united peace delegates of the allies and the United States are capable. These are the two vital conditions precedent to a successful and truly victorious peace.

If these are fulfilled, then comes the practical work of making the peace effective. In other words, the terms of the peace must be carried out and executed. The United States did not enter this great war simply to vindicate its rights at sea, which had been invaded and disregarded by the German use of submarines, although that may have been the last drop which caused the cup of wrong and outrage to overflow. It was no doubt the technical point on which relations were broken, but it was trifling compared to the really great objects with which we entered the war and which alone justified our doing so. We took up arms against Germany because we were determined not only to protect our own safety and independence against her attacks but because the people of the United States believed that if the world was to be a possible place for free, law-abiding people to live in, the autocratic system and the organized barbarism of Germany must once for all be eliminated from among the nations. We went to war to save civilization. For this mighty purpose we have sacrificed thousands of American lives and spent billions of American treasure. We can not, therefore, leave the work half done. We are as much bound, not merely by interest and every consideration for a safe future but by honor and self-respect, to see that the terms of peace are carried out as we were to fulfill our great determination that the armies of Germany should be defeated in the field. We can not halt or turn back now. We must do our share to carry out the peace as we have done our share to win the war, of which the peace is an integral part. We must do our share in the occupation of German territory which will be held as security for the indemnities to be paid by Germany. We can not escape doing our part in aiding the peoples to whom we have helped to give freedom and independence in establishing themselves with ordered governments, for in no other way can we erect the barriers which are essential to prevent another outbreak by Germany upon the world. We can not leave the Jugo-Slavs, the Czecho-Slovaks, and the Poles, the Lithuanians, and the other States which we hope to see formed and marching upon the path of progress and development unaided and alone.

These are some of the tasks which the war has brought and which peace demands. They involve no alliances. They are specific questions, the settlement of which has been imposed upon us by the war, and they all are vital to an enduring peace. They ought to make the peace of the world. And behind the work of occupation to insure the payment of indemnities, behind these new States, whose existence we have recognized and whom

we have helped to call into existence, lies the great problem of Russia. We can not shirk the Russian question. The whole civilized world has been shaken and torn by the convulsion of the war, the greatest war in recorded history. As one of the greatest and most powerful of the civilized nations, if we are to have a lasting peace now, we can not avoid the problems which the war has bequeathed to us. Of these problems that of Russia is probably the most difficult. Moreover, we have been committed to this work by the statement of the President on the 8th of January. In stating his sixth point, he said:

The evacuation of all Russian territory and such a settlement of all questions affecting Russia as will secure the best and freest cooperation of the other nations of the world in obtaining for her an unhampered and unembarrassed opportunity for the independent determination of her own political development and national policy and assure her of a sincere welcome into the society of free nations under institutions of her own choosing, and, more than a welcome, assistance also of every kind that she may need and may herself desire. The treatment accorded Russia by her sister nations in the months to come will be the acid test of their good will, of their comprehension of her needs as distinguished from their own interests, and of their intelligent and unselfish sympathy.

The evacuation of Russia by the German troops, although postponed, is required under the armistice, but the President went much further than that. In the statement I have just read he in effect pledged the United States to aid Russia in rising from the chaos and disorder which had come upon her to the place which she ought to occupy in the family of nations. The restoration of Russia is essential not only to the peace but to the economic life of the world, in which we have so large a share, and the difficulties presented by Russia are in the last degree formidable. We have troops now in the northern part of western Russia, and other troops in Vladivostok. Unfortunately they are so few in number that it is greatly to be feared that they are wholly inadequate for the work they may have to do. Nevertheless they are there and must be sustained and very probably increased. We have at present no government in Russia with which anyone can deal intelligently. The thing that calls itself a government is no more fit to be dealt with in negotiation, no more capable of carrying out agreed terms, than a band of anthropoid apes.

We hear the condition of Russia spoken of as if it resembled that of the French Revolution. The only resemblance between them is that they were both revolutions. Russia is a welter of disorder, feebleness, and destruction. The French Revolution, it is true, was stained with great crimes and many executions, but the world has seldom seen a stronger government than that of the Committee of Public Safety. They consolidated France with a ruthless thoroughness which would have terrified the despotic kings like Philip the Fair, Louis the Eleventh, and Louis the Fourteenth, who devoted their lives to the same object. They put down civil war with one hand and threw back and defeated banded Europe with the other. Whatever the defects of the Government of France during the Revolution may have been, weakness was not one of them; but Russia within two years has spun round the whole circle from despotism to anarchy, and the most conspicuous feature is the utter inefficiency and feebleness of everyone concerned. They overthrew the autocracy, and the Duma established a provisional government, the natural step to be taken toward ordered liberty. The provisional government fell before Kerensky and his followers, who lacked every quality necessary to meet the situation. They had nothing but words to offer, and they fell in turn before men who were backed by German money and whose object was not to give freedom to Russia, but to destroy their fellow citizens and every element which was necessary to a social fabric under which men could live and prosper while they themselves profited in money and in power from the ruin they wrought. They have indulged in murder and massacre. They have destroyed property and all the instruments of industry, and the unhappy and ignorant people of Russia, in whose name they undertook to act, are to-day suffering from famine and disease and are in a worse condition than they were in the days of the Romanoffs. There is nothing to indicate that the Russian people have the power among themselves to extricate the country from this condition. It seems as if they had come full circle and had reached the point where nothing could rescue them but the strong man at the head of an army. Whatever the solution finally reached, however, it is perfectly clear that they will need the help of the civilized nations who have beaten Germany to her knees. It would be discreditable, indeed, to the United States if it failed to recognize its duty to this great country, a duty to which the President, so far as he could, has committed the United States. How the problem can be solved no man at this moment can say. The one ray of light seems to come from the people of the Ukraine, and we may be able to rebuild Russia by aiding the only people who have shown any capacity for

maintaining a government and preventing the dissolution of the social fabric.

We must not forget the enormous importance of the Russian question and how much is at stake on its right solution. The only hope for Russia is to be found in the fact that there are countries, where a dissolution of the social fabric has not yet set in, which are able to sustain and help her. If Russian anarchy should be permitted to spread through western civilization, that civilization would fall. We have had in the past one great lesson in the fall of the civilization of Rome throughout the western empire. The ruin of the Roman civilization was followed by the Dark Ages, as they were called, and it took a thousand years for western Europe to creep slowly back to the plane of the civilization which had been destroyed. It is easy to wreck a great civilization. It is the work of centuries to restore it. We can not leave Russia lying helpless and breathing out infection on the world. We must help to bring her back to health and sanity and well-being. Some proper settlement of the Russian question is absolutely vital to the modern civilization of which we are a part. We can not disregard it or stand by as idle spectators without making any effort to aid Russia to rid herself of the poison which is now eating out her life and once more resume her place among the great nations of the world.

Beyond Russia lies the Empire of China, divided now into two governments. Our interest in China has always been great. It was never greater than at the present moment, for our safety in the Pacific may well depend upon the right settlement of the Chinese question.

I have merely touched upon some of the pressing questions growing out of the war and essential to the establishment of peace. These questions will tax the best ability and all the intelligence and disinterestedness of the civilized world, and now I ask, Is that not enough for the moment? If we are to bring out of the wreck of the war with Germany a world peace, is not the first step to make peace with Germany, with which we have fought, and settle, so far as we can, the grave problems which are inseparably connected with the war and the peace? Would it not be folly to attempt at this moment to go further? I ask this question because other propositions have been brought forward which, if an attempt is made to fasten them upon the peace with Germany, may ruin all by trying to do too much at once. The questions involving peace with Germany and the settlement of the questions growing out of the peace without which it can not be established are in themselves almost appalling in their difficulty and in their magnitude. Could anything be more unwise than to add to them needlessly and introduce subjects which may lead to division among the nations which have conquered Germany and retard the settlement of all the difficulties to which this war has given rise?

The other questions to which I refer, and which I think ought at this time certainly to be postponed, are those suggested by the President in his first four points and in his last point of January 8. The first one relates to secret diplomacy. The crying evil of what is loosely called secret diplomacy lies in the secret treaties familiar to Europe. No such treaties ought to exist. They never have existed in this country. They can not exist under the Constitution, because the Senate is an integral part of the treaty-making power. As to the negotiations by which treaties are brought into existence there must be a certain amount of secrecy. If all informal discussions of differences between nations were cried from the housetops and discussed in public assemblies we should produce abundance of quarrels and very few treaties. There are parts of negotiations and certain gatherings of the nations in convention, such as we have had at The Hague, which can no doubt be made public, but that all the preliminaries of negotiations and all discussions leading up to them should be in public seems to me impossible. I think it will be generally admitted that we have never had more secret diplomacy than in the last four years under President Wilson, which would seem to indicate that it is easier to talk about than to discard or abandon those methods. I think this may have been inevitable, but it demonstrates at least that secret diplomacy is a loose term, and also it shows, I think, that the question is one of no vital importance at this moment, and that whatever our views may be about the methods of diplomacy we can make peace with Germany without undertaking to settle what shall constitute secret diplomacy in the future and what shall not.

The next point is the freedom of navigation upon the seas outside territorial waters. Here again is a subject which is not defined. The seas are free to navigation in time of peace. Therefore this proposition can apply only to time of war, and what it is proposed to do in regard to freedom of navigation in time of war we have yet to learn. If it means that there must be

an abandonment of the belligerent right of blockade, by which in a large measure the United States was able to win the Civil War, I think the United States, as the greatest maritime Nation in the world next to England, will hesitate before it abandons a weapon absolutely necessary for its own safety and with regard to troubles which may arise within the regions covered by the Monroe doctrine. I can not imagine that England would for a moment think of abandoning the belligerent right of blockade, but I have no desire to enter upon the discussion of a subject which is wholly in the clouds. We can not talk intelligently about any proposition until we know just what it means, and that has not yet been disclosed to an interested world.

I can not, however, leave this question without pausing a moment to call attention to the strange development which has taken place in connection with the Naval appropriation bill now being considered by the House committee. It appears that the department is urging the adoption of a new program so large that it will in 1925 give us a Navy equal to that of England at that time, allowing for the British increase. I have been always an extremist in regard to the Navy. I have always desired to go further than almost anyone else, I think, in building ships. I strongly favored the program of two years ago because I believed that we had suffered from not working on a program and had an ill-balanced Navy owing to our helter-skelter method of unsystematic authorizations. But I never at any time advocated making the fleet of the United States equal to that of England, and I have never heard it advocated by anybody else. It has always been felt that the English fleet, which was based on the double standard—that is, which was always to be equal to the combined fleets of any two other nations—resulted in a navy larger than we needed in the United States and entailed a corresponding burden of expense. Our policy has been—that is, the policy of those who were extremely anxious that we should have a powerful Navy—to make our Navy the second in the world; but no one has ever thought it necessary to put it on the double standard. At this moment I am thoroughly in favor of a very strong Navy. I do not believe in reducing our Navy. I should be glad to see the number of enlisted men on the active list increased; but this new program goes beyond anything that I, at least, have ever contemplated. The present administration of the Navy, during the four years preceding the war, was in favor of a small Navy policy, to which I was greatly opposed. Now, the war is over. The German fleet has passed out of existence. The only naval danger that we were obliged to consider in the past on the Atlantic coast has ceased to be. We need a powerful fleet in the Pacific, and I am sure that we shall have a Navy sufficient to furnish that fleet to the western coast. And yet at this moment we are suddenly called upon to build a fleet which shall be equal to that of England. As one item, we are to have in 1925, 20 battle cruisers. Six are already authorized, although not yet begun; but I can not understand why it is proposed at the present time to provide for 20 battle cruisers at a cost of twenty millions each, to say nothing of the increases in all the other branches of the Navy which must correspond to the number of battle cruisers. I have heard reports that it was intended to be used in the negotiations to compel England to agree to disarmament under the menace of a great naval competition on our part. I mention this rumor only to say that it is unbelievable. I can not for a moment think that such an idea should be entertained by anyone, but it gives a suggestion of the impression which this enormous proposal for the naval increase brings. It must be false. Such a motive as that is too entirely unworthy to be entertained by any responsible public man. Another explanation was that offered by Admiral Badger, when he was advocating this new program before the committee of the House, which was to the effect that we should require it for police duty in connection with the league of nations. I will not stop to ask who is to order that navy about the world for police duty in behalf of the league of nations. I will merely say that it seems to me extraordinary that we should enter on a scheme for eternal peace throughout the world by proposing to build a Navy which in seven years is to be equal to that of England, so that at the end of that time England and the United States would have the two most enormous navies that the sun ever shone upon. How it fits in with the policy of reduction of naval and military forces or with the high objects of a league of nations I can not conceive. It is not necessary, however, to stop longer at this point.

One thing is certain, that the questions of international law involved in the loose term "freedom of the seas" are not in the least essential or necessary in making a peace with Germany now and in bringing the present war to an end.

The third point is about economic barriers. Different interpretations have been placed upon this proposition, but the Presi-

dent, in two notes which were read to the Senate not long ago, explained it to mean, as I understood, that while each nation was to impose any import duties which it pleased, the nations were all to agree that their respective tariffs should be the same to all other nations; that is, that there should be no discrimination. Let me remark in passing that this would prevent our having a reciprocity treaty with Cuba, which has been of great value both to the island and to ourselves; and if past treaties were exempted it would still prevent our making similar treaties with any of our neighbors in the Americas, because a reciprocity treaty is in its very nature a discrimination in favor of one nation against other nations. Personally I believe that we should have the right to discriminate against Germany if we choose, or against any other nation. The import duties we impose are a domestic question, and it should rest with the people of the United States to say whether they would discriminate or would not discriminate in those duties, whether they would make reciprocity treaties with other countries or whether they would not make such treaties.

Again let me say that I do not care to enter further upon this question, which opens a wide field of discussion. I desire simply to put it aside, because its settlement is not in the least essential to ending the war by a peace with Germany. We can make that peace without determining at this moment what we shall do with our tariffs, in the making of which I think every nation ought to have entire freedom.

The fourth is the point about armaments; in other words, the reduction of armaments, which, as I have already said, finds a queer expression in the administration's new naval policy. At this time reduction of armaments is a question which ought to be postponed, because we have neither the facts nor the knowledge necessary for intelligent action. It may be imperative to determine what sort of an armament Germany shall have by sea or land, because Germany has tried to conquer the world, and the world having conquered Germany has the right to put restrictions on her which would prevent her attempting the conquest a second time. But there is no reason for bringing up at this moment a general question of this sort, which can not now be intelligently determined with the world in the broken and torn condition it now is in.

The last proposition is the league of nations. The words "the league of nations" are captivating and attractive. Everybody would like to bring about a world condition in which wars would be impossible. We are all lovers of peace; we all are equally desirous to prevent the recurrence of wars. We all are deeply in sympathy with the purposes which the words "league of nations" are supposed to imply. But we ought to be extremely careful that in our efforts to reach the millennium of universal and eternal peace we do not create a system which will breed dissensions and wars. It is difficult to discuss it at this time, because no definite plan of any kind has yet been put forward by any responsible person. The Senator from Idaho the other day said and reiterated that in dealing with a league of nations we should demand that those who advocated it should be candid with the American people. That is the essence of the whole question. We all share in aspirations for complete world peace and for its maintenance; but the attempt to convert these aspirations into the hard, dry, and exact formulas of laws and treaties is a very arduous task. Intelligent discussion becomes difficult when the advocates of the league of nations drape themselves in trailing clouds of glory and omit to tell us the conditions to which they propose to bind the nations.

And yet it is essential that before we can pass upon a league of nations we must have the most precise definitions of what is intended. A league of nations is not a bill which can pass by title. A league is an agreement. We must know what we are to agree to, and no one has yet thought it worth while to tell the people of the United States what they are to agree to when a league of nations is formed. If, however, there is to be a league of nations in order to enforce peace, one thing is clear. It must be either a mere assemblage of words, an exposition of vague ideals and encouraging hopes, or it must be a practical system. If such a league is to be practical and effective, it can not possibly be either unless it has authority to issue decrees and force to sustain them. It is at this point that the questions of great moment arise. I will put a few of them as to details, which are more vital here than theories and which I hope will be carefully considered, not only by the Senate and the House but by the American people.

What nations are to be members of the league? Is Germany to be one of the members? If so, when? How are these nations thus joined in a league to vote in determining the operations of the league? Theoretically, in international law every independent sovereign nation is the equal of any other nation. Are the small nations to have an equal vote with the great nations

in the league, a vote equal to that of the United States or England or France? I saw that there occurred in New York a few days ago a meeting of representatives, so called, of some small nations who demanded this equality of voting power. I have the report of the meeting here, but it is not necessary to read it.

If this form of voting were agreed to, the small nations could determine the action of the league, and if the league had an international force behind it, they could order that force where they pleased and put it under any command they pleased, which might give rise to complications. If nations are to vote in the league on a democratic basis, then their voting power must be determined by population. Here, too, some curious possibilities arise, not without a certain intricacy. The population of China is, roughly, four times that of the United States, and this system would give China four times the vote of the United States in the league. If England is to have the right to cast the vote of her possessions, India alone would give her from three to four times as many votes as the United States and ten times the vote of France. This system seems open to some objections at first glance, and they are objections which will have to be considered.

All the plans which have been put forward tentatively for a league of nations, so far as I know, involve the creation of a court. We must remember that we have carried voluntary arbitration as far as it can practically go. Assuming that there is a distinction between justiciable and nonjusticiable questions, who is to decide whether a question is justiciable or not? Is it to be done by the league, voting in some manner hitherto undefined, or is each nation to decide for itself whether a question affecting its own interest is or is not justiciable? Let me give an example, to make my meaning clearer. We have recently purchased the Virgin Islands. Suppose that that purchase had not been effected and that Denmark undertook to sell those islands to Germany or some other great power. Is that a justiciable question? If it is and it went before a court there can be no doubt that any court would be obliged to hold that Denmark had the right to sell those islands to whom she pleased. In the past the United States would never have permitted those islands to pass out of Denmark's hands into any other hands, because we consider their possession of vital importance to our safety and to the protection of the Panama routes. The same will be true in regard to Magdalena Bay—a case in which the Senate passed a resolution, with unanimity, I think, stating that on the plain doctrine of self-preservation we could not allow Magdalena Bay, or any other similar position of advantage, to be turned into a naval base or military post by another power. Would that be justiciable? And if not justiciable, then is the league of nations to compel, nevertheless, its submission? The League to Enforce Peace and the League of Free Nations Association, of New York, state as their second proposition that for questions which are not justiciable in their character there shall be created a council of conciliation as mediator, which shall hear, consider, and make recommendations, and failing acquiescence by the parties concerned, the league shall determine what action, if any, shall be taken. This would deny to nations the right, hitherto exercised by every sovereign nation, to determine whether a question is vital to their independence and safety or not. This, I think, I may say without exaggeration, would be a very grave step for any nation to take.

Suppose now that the court is established with a police force behind it. I have seen it proposed that any nation refusing to obey this court's decrees shall be compelled to do so by the international police force just as the decrees of our own courts are carried out by a police force. Let us dispense with metaphors. An international police force is an international army and navy. Who is to order that army and navy into action, and who is to command it when it is in action? Are we prepared to allow any association of nations by a majority vote to order the troops and the ships of the United States to go to war? Unless we are prepared to do so we are not prepared to join a league of nations which is going to enforce peace, and we should never put our name as a nation to any treaty or agreement which we are not ready to carry out both in letter and spirit. To sign a treaty and then evade or disregard its provisions is not only bad faith and dishonor, it is the surest breeder of wars. Let us be honest with ourselves. It is easy to talk about a league of nations and the beauty and the necessity of peace, but the hard practical demand is, Are you ready to put your soldiers and your sailors at the disposition of other nations? If you are not, there will be no power of enforcing the decrees of the international court or the international legislature or the international executive, or whatever may be established.

This is the heart of the whole question, but there are others which would necessarily have to be considered. Are we ready to

abandon the Monroe doctrine and to leave it to other nations to say how American questions shall be settled and what steps we shall be permitted to take in order to guard our own safety or to protect the Panama Canal? Are we ready to have other nations tell us by a majority vote what attitude we must assume in regard to immigration or in regard to our tariffs? These are lesser points, but they must be met and answered before we commit ourselves to permitting an association of nations to control in any degree the forces of the United States.

If we insist upon the Monroe doctrine, do you imagine that the other nations of the world are going to permit us with our vote and our power to say what shall be done in Africa, Europe, and Asia, and then when it comes to the Americas to be met with the statement that there is a great circle drawn by the Monroe doctrine about those continents and that they can not put their hands on them? Does anyone imagine for a moment that the other nations of the world would accede to such a proposition as this? The only alternative, if we are to have a league of nations which is to travel over the world and settle all possible wars under the authority of a body of nations assembled by representation, is to place them all on the same footing and the Monroe doctrine would have to be abandoned.

We have now at this moment a league of nations. They have been engaged in compelling Germany to make peace and in restoring peace to the world. It has taken four years of the bloodiest war ever known to get that peace. By this existing and most efficient league the peace once signed must be carried out and made effective. Therefore, it is well to reflect that entering upon a new and larger league of nations involves somewhat heavy responsibilities and dangers which must be carefully examined and deliberately considered before they are incurred. The attempt to form now a league of nations—and I mean an effective league, with power to enforce its decrees—no other is worth discussing—can tend at this moment only to embarrass the peace that we ought to make at once with Germany. The American people desire as prompt action on peace with Germany as is consistent with safety. The attempt to attach the provisions for an effective league of nations to the treaty of peace now making with Germany would be to launch the nations who have been fighting Germany on a sea of boundless discussion, the very thing Germany most desires. It would cause wide differences of opinion and bring long delays. If the attempt was successful and a league of nations, with the powers about which I have ventured to inquire vested in it, were to come here before the Senate, it might endanger the peace treaty, and force amendments. It certainly would lead to very long delays. Is not the first duty of all the countries united against Germany to make a peace with Germany? Is that not the way to bring peace to the world now? Ought we not to avoid, so far as possible, all delays? Ought we not, speaking only for ourselves, to have a treaty here before the Senate which will not involve interminable discussions about the provisions of a league? Is it not our first duty and our highest duty to bring peace to the world at this moment and not encumber it by trying to provide against wars which never may be fought and against difficulties which lie far ahead in a dim and unknown future? I have merely glanced at these outlying questions, my purpose being simply to show that they ought none of them to be pressed at this time; that the making of peace with Germany and the settlement of the questions inseparably connected with it is enough and more than enough for the present without embarrassing it with questions which involve the settlement of the unknown, without the attempt to deal with all possible questions that ever may arise between nations. To enter on these disputed fields which are not necessary to the making of the peace with Germany seems to me perilous and more likely at this moment to lead to trouble and to a failure with the German peace and its associated questions than to anything else.

Mr. KELLOGG. Mr. President—

Mr. LODGE. If the Senator will allow me, as the supply of Document No. 104 is exhausted and many Senators desire to have it reprinted, I will print it at the end of my speech, if I have permission.

The PRESIDENT pro tempore. Without objection, leave will be granted.

The document referred to is as follows:

[Senate Document No. 104, 57th Cong., 1st sess.]

THE TREATY-MAKING POWERS OF THE SENATE.

(By HENRY CABOT LODGE. Reprinted, by permission of Charles Scribner's Sons, from Scribner's Magazine for January, 1902.)

"The action of the Senate upon the Hay-Pauncefote treaty in December, 1900, gave rise to much discussion not only in regard to the merits of the treaty and of the Senate amendments, but also as to the rights and functions of the Senate as part of

the treaty-making power. That there should be differences of opinion as to the merits of the questions involved in the treaty is entirely natural, but it seems strange that there should be any misapprehension as to the functions and powers of the Senate, because those are not matters of opinion, but well-established facts, simple in themselves and clearly defined both by law and precedent. Yet such misapprehension not only existed but was manifested here and there in the United States by statements and arguments as confident as they were erroneous. The English newspapers, as a rule, of course, did not know anything about the powers of the Senate, but seemed to have a general belief that the Senate amendments were in some way a gross breach of faith, a view not only susceptible of explanation, but very soothing to those who held it, and quite characteristic. It is, however, a much more serious matter when misapprehension of this kind is found among those who are charged with the conduct of government. It is their duty and their business to understand thoroughly the institutions, constitutional provisions, and political methods of other countries with which they are obliged to have dealings and to maintain relations. We have a right to expect that Lord Lansdowne, a statesman of long experience, who has held some of the highest offices under the British Crown, who has just been advanced from the great post of secretary of war to the still greater one of secretary of state for foreign affairs, should understand thoroughly the constitutional provisions and modes of governmental procedure in the United States. Yet we find in Lord Lansdowne's note to Lord Paunceforte of February 22, 1901, in reference to the Senate amendments the following statement:

"The Clayton-Bulwer treaty is an international contract of unquestionable validity; a contract which, according to well-established international usage, ought not to be abrogated or modified save with the consent of both the parties to the contract. His Majesty's Government find themselves confronted with a proposal communicated to them by the United States Government, without any previous attempt to ascertain their views, for the abrogation of the Clayton-Bulwer treaty."

"The meaning of this passage, taken as a whole, is not very clear, and in the last clause it contains at least one singular proposition. Admitting the international usage to be as Lord Lansdowne states it, the Hay-Paunceforte negotiation conformed to it strictly. The sole purpose of the Hay-Paunceforte treaty was to modify, by amicable agreement, the Clayton-Bulwer treaty. So far as the Hay-Paunceforte treaty went it modified the Clayton-Bulwer treaty, and to that extent superseded it. How far it superseded it was a disputed point. It was strongly argued here that the Hay-Paunceforte treaty ex necessitate superseded entirely the Clayton-Bulwer treaty, and those Senators who advocated the insertion of the words 'which is hereby superseded' were generally held to be overcautious. It was in fact this division of opinion as to the extent to which the Clayton-Bulwer treaty had been superseded which led to the adoption of the first Senate amendment. It would now appear from Lord Lansdowne's note that those who desired a specific statement of the supersession of the Clayton-Bulwer treaty were right in their construction, that the supersession was not complete as the Hay-Paunceforte treaty originally stood.

"The point, however, to which I wish to draw attention here is quite different from the question of the supersession of the Clayton-Bulwer treaty in whole or in part, and is contained in the last sentence of the passage I have quoted. Lord Lansdowne there complains that his Government is confronted by a proposal from the United States without any previous attempt to ascertain their views. Here is where his misapprehension of our Constitution appears. If Mr. Hay had proposed to Lord Paunceforte, at any stage of their discussion, to insert clauses like the Senate amendments the proposal might have been accepted or rejected, but no complaint would or could have been made that His Majesty's Government was confronted by a proposal upon which their views had not been previously ascertained. Such propositions, coming from Mr. Hay, would have been entirely germane to the purpose of the negotiations, even if they had extended to a simple abrogation of the Clayton-Bulwer treaty, and would have been so recognized. What actually happened was that these propositions were offered at a later stage of the negotiation by the other part of the American treaty-making power in the only manner in which they could then be offered, and are therefore no more a subject of just complaint on account of the manner of their presentation than if they had been put forward at an earlier stage by Mr. Hay. If we follow the negotiation through its different phases, what has just been stated becomes apparent. Mr. Hay and Lord Paunceforte open a negotiation for the modification of the Clayton-Bulwer treaty in such manner as to remove the obstacles which it may present to the construction of the Central Amer-

ican canal by the United States. After due discussion they agree upon and sign a treaty. That agreement, so far as Great Britain is concerned, requires only the approval of the King for its completion, but with the United States the case is very different, because no treaty can be ratified by the President of the United States without the consent of the Senate. The treaty, so called, is therefore still inchoate, a mere project for a treaty, until the consent of the Senate has been given to it. That all treaties must be submitted to the Senate and obtain the Senate's approval before they can be ratified and become binding upon the United States was, we may assume, well known to Lord Lansdowne. But he does not seem to have realized that the Senate could properly continue the negotiation begun by Mr. Hay and Lord Paunceforte by offering new or modified propositions to His Majesty's Government. Of this he was clearly not informed or he would not have made the complaint about being confronted with new propositions, as if something unusual and unfair had been done. No one expects the 'man in the street' or the London editor to remember that so long ago as 1795 the Senate made an entirely new amendment to the Jay treaty and that England accepted it, or that so recently as March, 1900, the Senate made amendments to the treaty regulating the tenure and disposition of the property of aliens and that England accepted them, or that it has been the uniform practice of the Senate to amend treaties whenever it seemed their duty to do so. But a British secretary of state for foreign affairs is, of course, familiar with all these things and ought, therefore, to realize that the Senate can only present its views to a foreign Government by formulating them in the shape of amendments, which the foreign Government may reject or accept or meet with counter propositions, but of which it has no more right to complain than it has to complain of the offer of any germane proposition at any other stage of the negotiation.

"With misapprehension like this existing not only in the British foreign office and the London press, but also in the minds of one or two exceptionally 'able' editors and correspondents in this country, who spoke of the Senate's action in amending the Hay-Paunceforte treaty as a modern usurpation, it seems not amiss to explain briefly the nature and history of the treaty-making power in the United States. The explanation is easy. It rests, indeed, on constitutional provisions so simple and on precedents so notorious that one feels inclined to begin with an apology for stating anything at once so familiar and so rudimentary. Yet it would appear that the circumstances just set forth fully justify both the explanation of the law and the statement of the facts of history.

"The power to make treaties is at once a badge and an inherent right of every sovereign and independent nation. The 13 American colonies of Great Britain, as part of the British Empire and as dependencies of the British Crown, were not sovereign nations and did not possess the treaty-making power. That power was vested in the British Crown, and when exercised the colonies were bound by the action and agreements of the British Government. When the 13 Colonies jointly and severally threw off their allegiance to the British Crown and became independent, all the usual rights of sovereignty which they had not before possessed vested without restriction in each one of the 13 States. The treaty-making power was exercised accordingly by the Continental Congress, which represented all the States and where the vote was taken by States. Under the subsequent Articles of Confederation the treaty-making power could not be exercised by any State alone or by two or more States without the consent of the United States in Congress, and was vested in the Congress of the Confederation, where, as in the Continental Congress, each State had one vote and where the assent of nine States was required to ratify a treaty. From this it will be observed that this sovereign right which had vested absolutely in each State, although it was confided to the Congress of the United States, was kept wholly within the control of the States as such, and was never permitted to become an executive function. This was the practice and this the precedent which the Convention found before them when they met in Philadelphia in 1787 to frame a new constitution, and they showed no disposition to depart from either. The States were very jealous of their sovereign rights, among which the power to make treaties was one of the most important, and having so recently emerged from a colonial condition they were also very suspicious and very much afraid of dangerous foreign influences, especially in the making of treaties. At the outset, therefore, it seems to have been the universal opinion that the relations of the United States with other nations should be exclusively managed and controlled by the representatives of the States, as such, in the Senate. The strength and prevalence of this feeling are best shown by the various plans for a constitution presented to the Convention. The Virginia plan, so called,

was embodied in resolutions offered by Mr. Randolph, which proposed to enlarge and amend the Articles of Confederation and passed over without mention the treaty-making power, accepting apparently the existing system, which vested it in the States, voting as such through their representatives. The plan offered by Mr. Pinckney provided that—

“The Senate shall have the sole and exclusive power to declare war, and to make treaties, and to appoint ambassadors and other ministers to foreign nations, and judges of the Supreme Court.”

“The New Jersey plan offered by Mr. Patterson, which aimed only at a mild amendment of the Articles of Confederation, left the treaty-making power, as under the Confederation, wholly within the control of the States voting as such in Congress.

“Hamilton, who went to the other extreme from the New Jersey plan, gave the treaty-making power in his scheme to the President and the Senate, but conferred on the Senate alone the power to declare war.

“All these plans, as well as the general resolutions agreed upon after weeks of debate, went to a committee of detail, which on August 6 reported through Mr. Rutledge the first draft of the Constitution.

“Section 1 of article 9 of this first draft provided that ‘the Senate of the United States shall have power to make treaties and to appoint ambassadors and judges of the Supreme Court.’

“The manner in which this clause as reported by the committee of detail was modified is best described by Mr. George Ticknor Curtis in his ‘Constitutional History of the United States.’ (Vol. I, pp. 579–581. Last edition.)

“The power to make treaties, which had been given to the Senate by the committee of detail, and which was afterwards transferred to the President, to be exercised with the advice and consent of two-thirds of the Senators present, was thus modified on account of the changes which the plan of government had undergone, and which have been previously explained. The power to declare war having been vested in the whole legislature it was necessary to provide the mode in which a war was to be terminated. As the President was to be the organ of communication with other governments, and as he would be the general guardian of the national interests, the negotiation of a treaty of peace and of all other treaties was necessarily confided to him. But as treaties would not only involve the general interests of the Nation, but might touch the particular interests of individual States, and, whatever their effect, were to be part of the supreme law of the land, it was necessary to give to the Senators, as the direct representatives of the States, a concurrent authority with the President over the relations to be affected by them. The rule of ratification suggested by the committee to whom this subject was last confided was that a treaty might be sanctioned by two-thirds of the Senators present, but not by a smaller number. A question was made, however, and much considered, whether treaties of peace ought not to be subjected to a different rule. One suggestion was that the Senate ought to have power to make treaties of peace without the concurrence of the President, on account of his possible interest in the continuance of a war from which he might derive power and importance. But an objection, strenuously urged, was that if the power to make a treaty of peace were confided to the Senate alone, and a majority or two-thirds of the whole Senate were to be required to make such a treaty, the difficulty of obtaining peace would be so great that the legislature would be unwilling to make war on account of the fisheries, the navigation of the Mississippi, and other important objects of the Union. On the other hand, it was said that a majority of the States might be a minority of the people of the United States, and that the representatives of a minority of the Nation ought not to have power to decide the conditions of peace.

“The result of these various objections was a determination on the part of a large majority of the States not to make treaties of peace an exception to the rule, but to provide a uniform rule for the ratification of all treaties. The rule of the Confederation, which had required the assent of nine States in Congress to every treaty or alliance, had been found to work great inconvenience, as any rule must do which should give to a minority of States power to control the foreign relations of the country. The rule established by the Constitution, while it gives to every State an opportunity to be present and to vote, requires no positive quorum of the Senate for the ratification of a treaty; it simply demands that the treaty shall receive the assent of two-thirds of all the Members who may be present. The theory of the Constitution undoubtedly is that the President represents the people of the United States generally and the Senators represent their respective States, so that by the concurrence which the rule thus requires the necessity for a fixed quorum of the States is avoided and the operations of

this function of the Government are greatly facilitated and simplified. The adoption also of that part of the rule which provides that the Senate may either “advise or consent” enables that body so far to initiate a treaty as to propose one for the consideration of the President, although such is not the general practice.”

“The obvious fact that the President must be the representative of the country in all dealings with foreign nations, and that the Senate in its very nature could not, like the Chief Executive, initiate and conduct negotiations, compelled the convention to confer upon him an equal share in the power to make treaties. This was an immense concession by the States, and they had no idea of giving up their ultimate control to a President elected by the people generally. Here, therefore, is the reason for the provision of the Constitution which makes the consent of the Senate by a two-thirds majority necessary to the ratification of any treaty projected or prepared by the President. The required assent of the Senate is the reservation to the States of an equal share in the sovereign power of making treaties which before the adoption of the Constitution was theirs without limit or restriction. The treaty clause, as finally agreed to by the convention and ratified by the States, is as follows: ‘He (the President) shall have power, by and with the advice and consent of the Senate, to make treaties, provided two-thirds of the Senators present concur, and he shall nominate and by and with the advice and consent of the Senate shall appoint ambassadors,’ etc.

“I have quoted the provision in regard to appointments in order to define more fully the previous one relating to treaties. The use of words ‘advise and consent’ in both provisions has given rise to misapprehensions in some minds, and even in one instance at least to the astounding proposition that because the Senate can not amend a nomination by striking out the name sent in by the President and inserting another, it therefore, by analogy, can not amend a treaty. It is for this reason well to note that the carefully phrased section gives the President absolute and unrestricted right to nominate, and the Senate can only advise and consent to the appointment of a given person. All right to interfere in the remotest degree with the power of nomination and the consequent power of selection is wholly taken from the Senate. Very different is the wording in the treaty clause. There the words ‘by and with the advice and consent of’ come in after the words ‘shall have power’ and before the power referred to is defined. The ‘advise and consent of the Senate’ are therefore coextensive with the ‘power’ conferred on the President, which is ‘to make treaties’ and apply to the entire process of treaty making. The States in the convention of 1787 agreed to share the treaty power with the President created by the Constitution, but they never thought of resigning it or of retaining anything less than they gave.

“The Senate, being primarily a legislative body, can not in the nature of things initiate a negotiation with another nation, for they have no authority to appoint or to receive ambassadors or ministers. But in every other respect, under the language of the Constitution and in the intent of the framers, they stand on a perfect equality with the President in the making of treaties. They have an undoubted right to recommend either that a negotiation be entered upon or that it be not undertaken, and I shall show presently that this right has been exercised and recognized in both directions. As a matter of course, the President would not be bound by a resolution declaring against opening a negotiation, but such a resolution passed by a two-thirds vote would probably be effective and would serve to stop any proposed negotiation, as we shall see was the case under President Lincoln. In the same way the Senate has the right to advise the President to enter upon a negotiation, and has exercised this right more than once. Here, again, the President is not bound to comply with the resolution, for his power is equal and coordinate with that of the Senate, but such action on the part of the Senate, no doubt, would always have due weight. That this right to advise or disapprove the opening of negotiations has been very rarely exercised is unquestionably true in practice, and the practice is both sound and wise; but the right remains none the less, just as the Constitution gave it, not impaired in any way by the fact that it has been but little used.

“The right of the Senate to share in treaty making at any stage has always been fully recognized, both by the Senate and the Executive, not only at the beginning of the Government, when the President and many Senators were drawn from among the framers of the Constitution, and were, therefore, familiar with their intentions, but at all periods since. A brief review of some of the messages of the Presidents and of certain resolutions of the Senate will show better than any de-

scription the relations between the two branches of the treaty-making power in the United States, the uniform interpretation of the Constitution in this respect, and the precedents which have been established.

"On August 21, 1789, President Washington notified the Senate that he would meet with them on the following day to advise with them as to the terms of a treaty to be negotiated with the Southern Indians. On August 22, in accordance with this notice, the President came into the Senate Chamber, attended by Gen. Knox, and laid before the Senate a statement of facts, together with certain questions, in regard to our relations to the Indians of the southern district, upon which he asked the advice of the Senate. On August 24, 1789, he appeared again in the Senate Chamber with Gen. Knox, and the discussion of our relations with the Southern Indians was resumed. The Senate finally voted on the questions put to it by the President, and in that way gave him their advice. (During the first years of its existence the Senate sat with closed doors, and there is no record of any of its debates. The only official records we possess are the dry entries of the Journal, stating the questions put and the votes. For the first two years, however, we have an account of the doings of the Senate in the diary of William Maclay, a Senator from Pennsylvania during the period from 1789 to 1791. In that diary (pp. 129 to 133) there is a full description of what happened upon the only occasion when a President personally met with the Senate to consider a treaty, a mode of consideration which was undoubtedly contemplated as the most suitable at the time of the framing of the Constitution. In reading Mr. Maclay's narrative it is well to remember that he was one of those persons who are never satisfied in regard to their own integrity unless they impugn the conduct and suspect the motives of everyone else, and especially of those who differ with them in opinion. Mr. Maclay was exceedingly hostile to Washington and could not appreciate him. His opinions as to men are curious and untrustworthy, but his statements of facts and as to what actually occurred may as a rule be accepted, and are of peculiar interest because we possess no other account of Senate debates at that period. Washington's attempt to confer with the Senate in this direct way was so obviously inconvenient, and the discussion upon the propositions was so annoying to the President on the one side, while the restraint of the President's presence was so much felt by the Senate, that the plan of personal deliberation between the Chief Executive and his constitutional advisers was then and there abandoned. In the same connection there is an interesting story told in the diary of John Quincy Adams which is worth repeating, and which throws an interesting light upon the incident: 'Mr. Crawford told twice over the story of President Washington's having at an early period of his administration gone to the Senate with a project of a treaty to be negotiated and been present at their deliberations upon it. They debated it and proposed alterations, so that when Washington left the Senate Chamber he said he would be damned if he ever went there again. And ever since that time treaties have been negotiated by the Executive before submitting them to the consideration of the Senate. The President said he had come into the Senate about 18 months after the first organization of the present Government and then heard that something like this had occurred. Crawford then repeated the story, varying the words, so as to say that Washington swore he would never go to the Senate again.' (Memoirs of John Quincy Adams, Vol. VI, p. 427.)

"On August 11, 1790, President Washington, in a written message, asked whether it was the judgment of the Senate that overtures should be made to the Cherokees to arrange a new boundary; if so, what compensation should be made, and whether the United States should stipulate solemnly to guarantee the new boundary. The Senate by resolution replied to these inquiries in the affirmative.

"On January 19, 1791, President Washington laid before the Senate the representation of the chargé d'affaires of France in regard to certain acts of Congress imposing extra tonnage on foreign vessels, and asked the advice of the Senate as to the answer he should make. On February 26, 1791, the Senate, by resolution, replied to this message, stating their opinion as to the meaning of the fifth article of the treaty in relation to the acts of Congress which had been called in question, and advising that an answer be given to the chargé d'affaires of France defending the construction put upon the treaty by the Senate.

"On February 14, 1791, a message was sent in which illustrates in a very interesting way how close the relations were between the Senate and the President in all matters relating to treaties, and how completely Washington recognized the right of the Senate to advise with him in regard to every matter connected with our foreign relations. In this message he explained

his sending Gov. Morris in an unofficial character to England in order to learn whether it were possible to open negotiations for a treaty, and with the message he sent various letters, so that the Senate might be fully informed as to all this business, which was in its nature entirely secret and unofficial.

"On November 10, 1791, the Senate ratified the treaty made by Gov. Blount with the Cherokee Indians, and the report of the committee begins in this way: 'That they have examined the said treaty and find it strictly conformable to the instructions given by the President; that these instructions were founded on the advice and consent of the Senate on the 11th of August, 1790,' etc.

"It is not necessary to multiply instances under our first President. These cases which have been quoted show how Washington interpreted the Constitution which he had so largely helped to frame. It is clear that in his opinion, and in that of the Senate, which does not appear to have been controverted by anybody, the powers of the Senate were exactly equal to those of the President in the making of treaties, and that they were entitled to share with him at all stages of a negotiation.

"On April 16, 1794, Washington consulted the Senate on a much more important matter than any of those to which I have referred. On that day he sent in the name of John Jay to be an envoy extraordinary to England in addition to the minister already there. He gives in the message his reasons for doing this, and in that way caused the Senate to pass not only upon the appointment of Mr. Jay but also upon the policy which that appointment involved.

"On May 31, 1797, President Adams, in nominating his special commission to France, followed the example of Washington when he nominated Jay, and explained his reasons for the appointment of this commission, in that way taking the advice of the Senate as to opening the negotiations at all.

"On December 6, 1797, President Adams, in submitting an Indian deed, which was the form taken by the treaty, suggested that it be conditionally ratified; that is, that the Senate should provide that the treaty should not become binding until the President was satisfied as to the investment of the money, and the resolution was put in that form. This is interesting, because it is the first case where the President himself suggests an amendment to be made by the Senate.

"On March 6, 1798, in ratifying the treaty with Tunis, where the Senate had made an amendment, they recommended that the President enter into friendly negotiations with the Government of Tunis in regard to the disputed article.

"February 6, 1797, President Adams nominated Rufus King minister to Russia, and stated that it was done for the purpose of making a treaty of amity and commerce with that country.

"When President Adams reopened negotiations with France, an action which signalized the fatal breach in the Federalist Party, he sent in the name of William Vans Murray to be minister to France, explained that it was to renew the negotiation, and stated further what instructions he should give if Murray was confirmed by the Senate. So much opposition was aroused by this step that in order to secure the assent of the Senate to his policy Mr. Adams sent in the names of Chief Justice Ellsworth and Patrick Henry to be joined with Murray in the commission, and stated more explicitly the conditions on which alone he would allow them to embark.

"President Jefferson, on January 11, 1803, sent in a message nominating Livingston and Monroe to negotiate with France, and Charles Pinckney and Monroe to negotiate with Spain, in regard to Louisiana, setting forth fully his reasons for opening negotiations on this subject, so that the Senate in advising and consenting to the appointments assented also to the policy which they involved.

"President Madison, on May 29, 1813, sent in a nomination for a minister to Sweden, to open diplomatic relations with that country. The Senate on June 14 appointed a committee to confer with the President upon the subject. Madison declined the conference on the ground that a committee could not confer directly with the Executive, but only through a department. His statement of the relations of the President and Senate in his message of July 6, 1813, is interesting as showing how he, one of the principal framers of the Constitution, construed it in this respect:

"Without entering into a general review of the relations in which the Constitution has placed the several departments of the Government to each other, it will suffice to remark that the Executive and the Senate, in the cases of appointments to office and of treaties, are to be considered as independent of and coordinate with each other. If they agree, the appointments or treaties are made; if the Senate disagree, they fail. If the Senate wish information previous to their final deci-

sion, the practice, keeping in view the constitutional relations of the Senate and the Executive, has been either to request the Executive to furnish it or to refer the subject to a committee of their body to communicate, either formally or informally, with the head of the proper department. The appointment of a committee of the Senate to confer immediately with the Executive himself appears to lose sight of the coordinate relation between the Executive and the Senate which the Constitution has established, and which ought therefore to be maintained.'

"On April 6, 1818, President Monroe laid before the Senate correspondence with Great Britain making an arrangement as to naval armaments on the Great Lakes. He asked the Senate to decide whether this was a matter which the Executive was competent to settle alone, and if they thought not, then he asked for their advice and consent to making the agreement.

"President Jackson, on March 6, 1829, asked the consent of the Senate to make with the chargé d'affaires of Prussia an exchange of ratifications of the treaty with that country, the time for the exchange having passed before the Prussian ratification was received. The request was repeated on January 26, 1831, under similar circumstances in regard to the Austrian treaty. (This became the universal practice in cases where the time for exchanging ratifications had expired by accident, or otherwise, before the exchange had been effected. It is not necessary to cite other instances.)

"May 6, 1830, President Jackson, in a message relating to a treaty proposed by the Choctaw Indians, asked the Senate to share in the negotiations in the following words: 'Will the Senate advise the conclusion of a treaty with the Choctaw Nation according to the terms which they propose? Or will the Senate advise the conclusion of a treaty with that tribe as modified by the alterations suggested by me? If not, what further alteration or modification will the Senate propose?' President Jackson then goes on to give his reasons for thus consulting the Senate. The passage is of great interest because it not only states the change of practice which had taken place since Washington's time in regard to consulting the Senate before or during a negotiation, but recognizes fully that although reasons of convenience and expediency had led to the abandonment of consultation with the Senate prior to a negotiation, yet it was an undoubted constitutional right of the President to so consult the Senate, and of the Senate to take part, if it saw fit, at any stage of a negotiation. President Jackson says:

"'I am fully aware that in thus resorting to the early practice of the Government, by asking the previous advice of the Senate in the discharge of this portion of my duties, I am departing from a long and for many years unbroken usage in similar cases. But being satisfied that this resort is consistent with the provisions of the Constitution, that it is strongly recommended in this instance by considerations of expediency, and that the reasons which have led to the observance of a different practice, though very cogent in negotiation with foreign nations, do not apply with equal force to those made with Indian tribes, I flatter myself that it will not meet the disapprobation of the Senate.'

"Under President John Quincy Adams a convention had been made with Great Britain referring to the decision of the King of the Netherlands the points of difference between the two nations as to our northeastern boundary line. On January 10, 1831, the King of the Netherlands rendered his decision, against which our minister at The Hague protested. On December 7, 1831, President Jackson submitted the decision and protest to the Senate, asking whether they would advise submission to the opinion of the arbiter and consent to its execution. The President took occasion to say in this connection: 'I had always determined, whatever might have been the result of the examination by the sovereign arbiter, to have submitted the same to the Senate for their advice before I executed or rejected it.'

"On March 3, 1835, the Senate passed the following resolution:

"*Resolved*, That the President of the United States be respectfully requested to consider the expediency of opening negotiations with the governments of other nations, and particularly of the governments of Central America and New Grenada, for the purpose of effectually protecting, by suitable treaty stipulations with them, such individuals or companies as may undertake to open a communication between the Atlantic and Pacific Oceans by the construction of a ship canal across the isthmus which connects North and South America, and of securing forever, by such stipulations, the free and equal right of navigating such canal to all such nations, on the payment of such reasonable tolls as may be established, to compensate

the capitalists who may engage in such undertaking and complete the work.'

"On January 9, 1837, President Jackson replied to this resolution, stating that in accordance with its terms an agent had been sent to Central America, but that from his report it was apparent that the conditions were not such as to warrant entering upon negotiations for treaties relating to a ship canal.

"President Van Buren, on June 7, 1838, sent in a message announcing that he intended to authorize our chargé d'affaires to Peru to go to Ecuador and, as agent of the United States, negotiate a treaty with that Republic. Before doing so, however, he thought it proper, in strict observance of the rights of the Senate, to ask their opinion as to the exercise of such a power by the Executive in opening negotiations and diplomatic relations with a foreign state.

"President Polk, on June 10, 1846, sent to the Senate a proposal in the form of a convention in regard to the Oregon boundary submitted by the British minister, together with a protocol of the proceedings, and on this he asked the advice of the Senate as to what action should be taken. The message then continues as follows:

"'In the early periods of the Government the opinion and advice of the Senate were often taken in advance upon important questions of our foreign policy. Gen. Washington repeatedly consulted the Senate and asked their previous advice upon pending negotiations with foreign powers, and the Senate in every instance responded to his call by giving their advice, to which he always conformed his action. This practice, though rarely resorted to in later times, was, in my judgment, eminently wise and may on occasions of great importance be properly revived. The Senate are a branch of the treaty-making power, and by consulting them in advance of his own action upon important measures of foreign policy which may ultimately come before them for their consideration the President secures harmony of action between that body and himself. The Senate are, moreover, a branch of the war-making power, and it may be eminently proper for the Executive to take the opinion and advice of that body in advance upon any great question which may involve in its decision the issue of peace or war.'

"On August 4, 1846, President Polk, by message, consulted the Senate as to entering on peace negotiations with Mexico and advancing to that country a portion of the money to be paid as consideration for the cession of territory.

"On July 28, 1848, President Polk sent to the Senate a message explaining his refusal to ratify an extradition treaty with Prussia, to which the Senate had agreed. When the treaty was sent to the Senate, on December 16, 1845, the President stated his objections to the third article. The Senate ratified the treaty with the third article unamended, and thereupon, and because the Senate had not amended or stricken out the third article, the President refused to ratify the treaty himself.

"On April 22, 1850, President Taylor invited the Senate to amend either the Clayton-Bulwer treaty or that with Nicaragua, so that they might conform with each other.

"On February 13, 1852, President Fillmore pointed out certain objectionable clauses in the Swiss treaty and asked the Senate to amend them.

"On June 26, 1852, President Fillmore sent a letter from Mr. Webster calling attention to the nonaction of the Senate upon an extradition treaty with Mexico and asked that, if it was thought objectionable in any particular, amendments might be made to remove the objections, such amendments to be proposed by the Executive to the Mexican Government.

"On February 10, 1854, President Pierce sent to the Senate the Gadsden treaty, signed by the plenipotentiaries on December 30, 1853, and with it certain amendments which he recommended to the Senate for adoption before ratification. It would be difficult to find a better example than this, not merely of the right of the Senate to amend, but of the fact that Senate amendments are simply a continuance of the negotiation begun by the President.

"President Buchanan, on February 12, 1861, asked the advice of the Senate as to accepting the award made by commissioners under the convention with Paraguay, following therein the precedent set by President Jackson.

"On February 21, 1861, President Buchanan asked the advice of the Senate as to entering into negotiation with Great Britain for a treaty of arbitration in regard to a controverted point in the Ashburton-Webster treaty of 1846. His own words are: 'The precise questions I submit are three: Will the Senate approve a treaty,' etc.

"On March 16, 1861, President Lincoln, in his first message to the Senate, repeated the questions of his predecessor as to entering upon this negotiation for an arbitration with Great

Britain, and said, 'I find no reason to disapprove the course of my predecessor on this important matter, but, on the contrary, I not only shall receive the advice of the Senate therein, but I respectfully ask the Senate for their advice on the three questions before recited.'

"On December 17, 1861, President Lincoln sent to the Senate a draft of a convention proposed by the Mexican Government and asked not for ratification but merely for their advice upon it.

"On January 24, 1862, he asked again for advice as to entering upon the treaty for a loan to Mexico, so that he might instruct Mr. Corwin in accordance with the views of the Senate.

"On February 25, 1862, the Senate passed a resolution to the effect 'that it is not advisable to negotiate a treaty that will require the United States to assume any portion of the principal or interest of the debt of Mexico, or that will require the concurrence of European powers.' Meantime Mr. Corwin, not having received instructions, had made and signed two treaties for the loan, and President Lincoln, on sending them in, on June 23, 1862, said in his message: 'The action of the Senate is, of course, conclusive against acceptance of the treaties on my part,' but the importance of the subject was such that he asked for the further advice of the Senate upon it.

"March 5, 1862, President Lincoln sent a message repeating President Buchanan's request for the advice of the Senate as to accepting the Paraguayan award.

"February 5, 1863, President Lincoln sent in for ratification a convention with Peru, and suggested an amendment which he wished to have made by the Senate.

"January 15, 1869, President Johnson sent in a protocol agreed upon with Great Britain, and asked the advice of the Senate as to entering upon a negotiation for a convention based upon the protocol submitted.

"April 5, 1871, President Grant transmitted a dispatch from our minister to the Hawaiian Islands and asked for the views of the Senate as to the policy to be pursued.

"May 13, 1872, President Grant sent a message to the Senate relating to differences which had arisen under the treaty of Washington, and said: 'I respectfully invite the attention of the Senate to the proposed article submitted by the British Government with the object of removing the differences which seem to threaten the prosecution of the arbitration, and request an expression by the Senate of their disposition in regard to advising and consenting to the formal adoption of an article such as is proposed by the British Government.'

"The Senate is aware that the consultation with that body in advance of entering into agreements with foreign States has many precedents. In the early days of the Republic Gen. Washington repeatedly asked their advice upon pending questions with such powers. The most important recent precedent is that of the Oregon boundary treaty, in 1846.

"The importance of the results hanging upon the present state of the treaty with Great Britain leads me to follow these former precedents and to desire the counsel of the Senate in advance of agreeing to the proposal of Great Britain.'

"June 18, 1874, President Grant sent in a draft of a reciprocity treaty relating to Canada and asked the Senate if they would concur in such a treaty if negotiated.

"President Arthur, on June 9, 1884, asked the advice of the Senate as to directing negotiations to proceed with the King of Hawaii for the extension of the existing reciprocity treaty with the Hawaiian Islands.

"On March 3, 1888, the Senate passed a resolution asking President Cleveland to open negotiations with China for the regulation of immigration with that country. President Cleveland replied that such negotiations had been undertaken.

"From these various examples it will be seen that the Senate has been consulted at all stages of negotiations by Presidents of all parties, from Washington to Arthur. It will also be observed that the right to recommend a negotiation by resolution was exercised in 1835 and again in 1888, and was unquestioned by either Jackson or Cleveland, who were probably more unfriendly to the Senate and more unlikely to accede to any extension of Senate prerogatives than any Presidents we have ever had. It will be further noted that the Senate in 1862 advised against the Mexican negotiations, and that President Lincoln frankly accepted their decision, and did not even ask that the treaties which had been actually made meantime should be considered with a view to ratification.

"The power of the Senate to amend or to ratify conditionally is, of course, included in the larger powers expressly granted by the Constitution to reject or confirm. It would have never occurred to me that anyone who had read the Constitution and who possessed even the most superficial acquaintance with the history of the United States could doubt the right of the Senate

to amend. But within the last year I have seen this question raised, not jocosely, so far as one could see, but quite seriously. It may be well, therefore, to point out very briefly the law and the facts as to the power of the Senate to amend or alter treaties.

"In 1795 the Senate amended the Jay treaty, ratifying it on condition that the twelfth article should be suspended. Washington accepted their action without a word of comment, as if it were a matter of course, and John Marshall, in his *Life of Washington*, has treated the Senate's action of that memorable occasion in the same way. From that day to this, from the Jay treaty in 1795 to the alien property treaty with Great Britain in 1900, the Senate has amended treaties, and foreign governments, recognizing our system and the propriety of the Senate's action, have accepted the amendments. A glance at the passages which have been cited from the Messages of the Presidents is enough to disclose the fact that no President has ever questioned the right of the Senate to amend, and that several Presidents have invited the Senate to make amendments as the best method of continuing the negotiations. In this, however, we are not left to deduce the obvious right of the Senate to amend, from an unbroken line of precedents and the unquestioned recognition of the right by the Chief Executive. On this point we have a direct and unanimous declaration by the Supreme Court of the United States. In *Haver v. Yaker*, Mr. Justice Davis, delivering the opinion of the court, said: 'In this country a treaty is something more than a contract, for the Federal Constitution declares it to be the law of the land. If so, before it can become a law the Senate, in whom rests the authority to ratify it, must agree to it. But the Senate are not required to adopt or reject it as a whole, but may modify or amend it, as was done with the treaty under consideration.' (9 Wallace, pp. 34 and 35. Mr. Rawle, in his *View of the Constitution of the United States*, p. 64, says: 'The Senate may wholly reject it, or they may ratify it in part, or recommend additional or explanatory articles, which, if the President approves of them, again become the subject of negotiation between him and the foreign power; and, finally, when the whole receives the consent of the Senate, and the ratifications are exchanged between the respective Governments, the treaty becomes obligatory on both nations.' Mr. Rawle's entire chapter on the treaty-making power merits careful consideration in this connection.) This decision of the court is conclusive, if any doubt had ever existed as to the amendment powers of the Senate; but the following lists of treaties, amended by the Senate and afterwards ratified by the countries with which they were made, exhibits the uniform and unquestioned practice which has prevailed since the foundation of our Government:

"Algiers, 1795; Argentina, 1885 (amity and commerce), 1897 (extradition); Austria, 1856; Baden, 1857; Bavaria, 1845, 1853; Belgium, 1858, 1880 (consular); Bolivia, 1859, 1900 (extradition); Brunswick and Luneburg, 1854; Chile, 1900 (extradition); China, 1868, 1887 (exclusion); Colombia, 1857; New Granada, 1888 (extradition); Congo, 1891 (relations); Costa Rica, 1852, 1861; France, 1778, 1843, 1858, 1886 (claims), 1892 (extradition); Great Britain, 1794, 1815, 1889 (extradition), 1891 (Bering Sea), 1896 (Bering claims), 1899 (real property); Guatemala, 1870 (amity and commerce); Hawaii, 1875 (reciprocity), 1886 (reciprocity); Italy, 1868; Japan, 1886 (extradition), 1894 (extradition), 1894 (commerce and navigation); Mexico, 1843, 1848, 1853, 1861, 1868, 1883 (reciprocity), 1885 (reciprocity), 1886 (boundary), 1888 (frontier), 1890 (boundary); Netherlands, 1887 (extradition); Nicaragua, 1859, 1870 (amity and commerce); Orange Free State, 1896 (extradition); Peru, 1863, 1887 (commerce and navigation), 1899 (extradition); Russia, 1889 (extradition); Saxony, 1845; Siam, 1856; Sweden, 1816, 1869 (naturalization); Switzerland, 1847, 1850, 1900 (extradition); Tunis, 1797; Turkey, 1830, 1874 (extradition); Two Sicilies, 1855; Venezuela, 1886 (claims).

"From this list it appears that there have been 68 treaties amended by the Senate and afterwards ratified.

"The results of the preceding inquiry can be easily summarized. Practice and precedent, the action of the Senate and of the Presidents, and the decision of the Supreme Court show that the power of the Senate in the making of treaties has always been held, as the Constitution intended, to be equal to and coordinate with that of the President, except in the initiation of a negotiation, which can of necessity only be undertaken by the President alone. The Senate has the right to recommend entering upon a negotiation, or the reverse; but this right it has wisely refrained from exercising, except upon rare occasions. The Senate has the right to amend, and this right it has always exercised largely and freely. It is also clear that any action taken by the Senate is a part of the negotiation, just as much so as the action of the President through the Secretary of State.

In other words, the action of the Senate upon a treaty is not merely to give sanction to the treaty, but is an integral part of the treaty making, and may be taken at any stage of a negotiation.

"It has been frequently said of late that the Senate in the matter of treaties has been extending its powers and usurping rights which do not properly belong to it. That the power of the Senate has grown during the past century is beyond doubt, but it has not grown at all in the matter of treaties. On the contrary, the Senate now habitually leaves in abeyance rights as to treaty making which at the beginning of the Government it freely exercised, and it has shown in this great department of executive government both wisdom and moderation in the assertion of its constitutional powers.

"This is not the place to discuss the abstract merits of the constitutional provisions as to the making of treaties. Under a popular government like ours it would be neither possible nor safe to leave the vast powers of treaty making exclusively in the hands of a single person. Some control over the Executive in this regard must be placed in the Congress, and the framers of the Constitution intrusted it to the representatives of the States. That they acted wisely can not be questioned, even if the requirement of the two-thirds vote for ratification is held to be a too narrow restriction. These, however, are considerations of no practical importance, and after all only concern ourselves. Our system of treaty making is established by the Constitution and has been made clear by long practice and uniform precedents. The American people understand it, and those who conduct the government of other countries are bound to understand it, too, when they enter upon negotiations with us. There is no excuse for any misapprehension. It is well also that the representatives of other nations should remember, whether they like our system or not, that in the observance of treaties during the last 125 years there is not a nation in Europe which has been so exact as the United States, nor one which has a record so free from examples of the abrogation of treaties at the pleasure of one of the signers alone."

Mr. KELLOGG. Mr. President, I have been very much interested in the very able address of the Senator from Massachusetts. I should like to mention one subject dwelt upon by the Senator, and that is the question of secret treaties. It seems to me to be very pertinent at this place to call the attention of the Senate to the interview by Lord Northcliffe published in the morning papers and given out in Paris yesterday. It seems to bear upon this question of secret negotiations and secret treaties. Lord Northcliffe said:

Nothing can be worse for the prospects of the coming conference than an atmosphere of secrecy and half truths. Yet up to the present there has been no official statement that the momentous meetings about to take place will be held in accordance with President Wilson's expressed views on the question of open diplomacy.

I will call the attention of the Senate in a moment to what those views are.

DAYS OF SECRET CONCLAVES GONE.

The days of secret conclaves are dead and gone. Clandestine assemblies are the harbingers of intrigue, suspicion, and possible deception. It would be intolerable that the fate of whole nations—great and small—should be decided in secret. Shall the destinies of millions of peoples in all quarters of the globe be left to the tender mercies of a comparative handful of delegates, against whose enactments there is no public appeal? Such would be mockery of that principle of self-determination of free nations which has been fought for and won in this war.

Labor, upon which the great losses of life during the war have mainly fallen, is alarmed at the prospect of great world plans being carried out without its knowledge. It is reported from London that the Labor Party has sent a strong protest to our Government, which, so far, has done nothing to allay public anxiety on the subject.

WILL SUPPORT WILSON'S VIEW.

The British press and people may be relied upon to support fully the President's enlightened expression of opinion as to the need of publicity at the momentous meetings expected to begin in Paris on the 6th of January. Surely the world has suffered enough from secret diplomacy to realize that medievalism of that kind is totally incompatible with the conception of a league of free nations. A great part of the President's popularity is due to the knowledge that he is the father of open diplomacy, which it was understood would be the course adopted at the forthcoming sessions.

We, having learned enough of the evil of secrecy during the last four and a half years, therefore are alarmed at rumors, which have not yet been officially contradicted, that the doings of the peace conference are to be wrapped in a black cloak of silence.

WILL BE RATIONED, HE SAYS.

So far as the United States is concerned, I have been assured that neither the French nor American Government will exercise any control over the cables conveying news of the proceedings of the conference, except such amount of control as is necessary in rationing to each newspaper and news-distributing agency, made obligatory by the fact that the Atlantic cables already are loaded beyond their capacity.

Mr. President, the particular view of the President which Lord Northcliffe had in mind is the one referred to by the distinguished Senator from Massachusetts; that covenants of peace shall be openly reached; that there shall be no private interna-

tional understandings of any kind; and that diplomacy shall proceed always frankly and in public view.

Lord Northcliffe, in describing what he understands to be the program of President Wilson, has relied upon his speech of January 8, 1918, in which the President said:

1. Open covenants of peace, openly arrived at, after which there shall be no private international understandings of any kind but diplomacy shall proceed always frankly and in the public view.

I wish his noble lordship to understand a fact which has probably escaped his attention, that the President took it all back in his letter of March 12, 1918. When the Senator from Idaho [Mr. BORAH] proposed that treaties of peace should be considered in open session in the United States Senate, interpreting the language of the President to mean covenants openly arrived at as well as openly considered in the Senate, the President wrote a letter to Secretary of State Lansing, which is as follows:

THE WHITE HOUSE,
Washington, March 12, 1918.

Hon. ROBERT LANSING,
Secretary of State.

MY DEAR MR. SECRETARY: I wish you would be kind enough to formulate a careful and conclusive memorandum for the use of the committee of the Senate with regard to the enclosed resolution. I take it for granted that you feel as I do, that this is no time to act as the resolution prescribes, and certainly when I pronounced for open diplomacy I meant not that there should be no private discussions of delicate matters but that no secret agreement of any sort should be entered into and that all international relations, when fixed, should be open, above board, and explicit.

Cordially and sincerely, yours,

WOODROW WILSON.

Mr. President, as said by the distinguished Senator from Massachusetts, under our form of Government it is impossible to have a secret treaty, and no such treaty ever existed in the history of this Nation. If that is all the President meant by his declaration in the first of his 14 points, it meant nothing.

Now, let Lord Northcliffe understand that those are phrases, simply phrases. If they did not mean that the great issue pending before the peace commissioners sitting in Paris to settle the destinies of the world should be known to the people of the world, they meant nothing. Lord Northcliffe makes the plea for open diplomacy and says that the secrecy which to-day surrounds Paris is ominous.

Now, I have not criticized the President, nor is that my intention, but here comes the greatest journalist of England, who has been one of the mainstays of Great Britain through a trial greater than the British Empire ever went through before, and says that the secrecy which surrounds Paris to-day bodes no good to the nations of the world.

What do we know about it? Do we know what is meant by the league of nations or what the President has in mind? If the President has in mind a framework of supergovernment, which has been the dream of some intellectuals since history was written, he will find out immediately that the American people will not stand for it.

It has been reported that the President is in favor of a league of nations controlling the raw materials and resources of the various nations of the world because those are the things for which nations have often gone to war. I for one do not believe the President has in his mind any such absurd proposition for this country, which owns those resources; but if he has we ought to know it.

I do believe that the principal great points involved in this negotiation should be made known to the American people.

The Senator from Idaho made a very able speech on the subject of open diplomacy and the consideration of treaties in open session of the Senate. I submitted a few unimportant remarks on the same subject, and it was a hopeful sign that some twenty or twenty-five of our colleagues voted for that proposition. I am glad to see that the leading statesmen of the world as well as of this country are adapting the proposition, and I welcome the Senator from Massachusetts to that circle.

To be sure we are not going to disclose every whispered conversation unimportant which takes place, but the great fundamental issues which involve the happiness, the peace, and stability of the world must be known and must be discussed openly by the people to be affected or else the peace pact will be a failure.

THE REVENUE.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 12863) to provide revenue, and for other purposes.

THE PRESIDING OFFICER (Mr. FLETCHER in the chair). The question is on the amendment of the Senator from Wisconsin [Mr. LENROOT] to the amendment of the committee.

Mr. LENROOT. I suggest the absence of a quorum.
THE PRESIDING OFFICER. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Hitchcock	McLean	Sheppard
Bankhead	Johnson, Cal.	McNary	Simmons
Beckham	Johnson, S. Dak.	Martin, Ky.	Smith, Ariz.
Borah	Jones, N. Mex.	Martin, Va.	Smith, Ga.
Brandeggee	Jones, Wash.	Moses	Smoot
Curtis	Kellogg	New	Spencer
Fletcher	Kendrick	Norris	Sutherland
France	Kenyon	Nugent	Swanson
Frelinghuysen	King	Page	Thomas
Gay	Knox	Penrose	Trammell
Gerry	La Follette	Phelan	Underwood
Gronna	Lenroot	Pittman	Vardaman
Hale	Lodge	Polindexter	Warren
Harding	McCumber	Pomerene	Weeks
Henderson	McKellar	Shafroth	

Mr. SHEPPARD. I desire to announce that the Senator from North Carolina [Mr. OVERMAN], the Senator from Delaware [Mr. WOLCOTT], and the Senator from Missouri [Mr. REED] are detained on official business.

Mr. McKELLAR. I desire to announce the absence of my colleague, the senior Senator from Tennessee [Mr. SHIELDS], on account of illness.

The PRESIDING OFFICER. Fifty-nine Senators have answered to the roll call. A quorum is present.

Mr. LENROOT. Mr. President, before the pending amendment is voted on I merely desire to present an illustration of the application of the two systems of consolidated returns and separate returns to a hypothetical case. The Senator from North Dakota [Mr. McCUMBER] undertook to say that a consolidation of returns of various corporations making money would be greatly to the benefit of the Government and would increase the tax. That, of course, Mr. President, is an impossibility if the Treasury Department performs its duty.

In the case of four corporations, each capitalized at a million dollars, I have computed this hypothetical case: Assuming one of them engaged in war activities makes a profit of 100 per cent and the other three make a profit of 10 per cent, what would be the result? In the case of the consolidated return there would be a consolidated capital of \$4,000,000 and a consolidated income of \$1,300,000. The excess-profits credit which will be allowed under the consolidated return is one credit of \$3,000, 8 per cent on \$4,000,000, the consolidated capital, or a total of \$323,000, leaving taxable excess profits of \$977,000. The tax imposed upon that will be 30 per cent on \$800,000, or \$240,000, and 60 per cent on \$177,000, or \$106,200, making a total tax paid to the Government in this case on a consolidated return of \$346,200.

In the case of separate returns one corporation with a capital of \$1,000,000 makes a profit of \$1,000,000, or 100 per cent. In this case the excess-profits credit would be \$3,000, 8 per cent on \$1,000,000, or \$80,000, making a total excess-profits credit of \$83,000, leaving a taxable excess profit upon that corporation of \$917,000. Applying the excess-profit tax brackets, they would pay 30 per cent on \$200,000, or \$60,000, 60 per cent on \$717,000, or \$430,200, making a total tax for that corporation of \$490,200.

The other corporations would each pay an equal amount, having a net income of \$100,000 each; they would each have an excess-profits credit of \$3,000; each would have an 8 per cent exemption on their capital of \$1,000,000, or \$80,000, leaving an excess-profits credit of \$83,000 to be deducted from their net income of \$100,000, leaving the total of excess profits taxable \$17,000. Applying the rate of 30 per cent on that, each of those corporations would pay \$5,100 in excess profits, making a total for the three of \$16,200. The one with 100 per cent profit would pay \$490,200, making a total tax for these same corporations rendering separate returns of \$506,400, as against the tax paid under the consolidated returns of \$346,200, or a difference against the Government on the excess-profits tax of \$160,200 on a capitalization of only \$4,000,000.

The only saving of the Government would be upon the 12 per cent income, where it would save the three exemptions of \$2,000 apiece, making \$720. So the net loss to the Government in the illustration I have given, should the committee amendment be adopted, would be \$159,480, growing, Mr. President, solely out of the fact that these four corporations happened to be owned by one little group of wealthy individuals, whereas if those same corporations had been owned by local capital, by different individuals, they would pay \$160,000 more to the Government than they will pay under this amendment if the corporations are owned by a little aggregation of capital. In other words, Mr. President, with this amendment as reported by the committee, it offers a reward to trusts and monopolies owning corporations in this country of \$150,000, as against the taxes that will have to be paid by like corporations who have like business and who

are making a like income which are owned and operated by private individuals.

The Senate ought to know exactly the result this amendment will have. Then, if the Senate chooses to adopt it, the Senate will do it with its eyes open.

I ask the yeas and nays upon the amendment.

Mr. SIMMONS. Mr. President, of course the Senator from Wisconsin can pick out a supposititious case, make his calculations, and show a result one way or another upon a matter of this sort. The question is not, will this concern escape with a little less tax and that concern pay a little more tax as the result of consolidated returns, but the question is, will the Government get more money out of one system than it will out of the other system, and will the department be in a better position to adjust the equities between the different branches of these consolidated concerns so as to do justice to the Government and do justice to the taxpayers.

It is clear to my mind, Mr. President, that when we provide for these consolidated returns we put the operations of these various subsidiary concerns in the hands of the Internal Revenue Department. We put them in a position where they can adjust not only equities but where they can see that the incomes and the invested capital of these concerns are properly distributed and adjusted in the interest of taxation and also in the interest of the taxpayer. That is what this does.

Senators come here and say, "I can find an illustration." The truth is, Mr. President, that the department, after one year's experience in the administration of a \$4,000,000,000-tax law, has taken the cases that arise under the consolidated returns, which they by regulation provided for; they have examined to see whether under that system of returns the Government has lost or the Government has gained; and, as a result of this acid test of actual experience, the department has found that the Government is the gainer. Now, that is all there is of it, Mr. President.

Mr. PENROSE. Mr. President, I should merely like to add to what the Senator from North Carolina has said, but which has perhaps not fully impressed the Senate, that this provision of the bill is identical with the method which has been adopted by the Commissioner of Internal Revenue and the tax advisory board in administering this part of the present law.

Mr. KELLOGG. Mr. President, I was in favor of the first amendment offered by the Senator from Wisconsin [Mr. LENROOT], which I think was intended to make clear that only integrated concerns having different branches of business in separate corporations should be allowed to make consolidated returns; but when it comes to a group of individuals who are associated together or an individual owning all of the stock of the corporations engaged in a certain business and making consolidated returns, I am inclined to follow the recommendation of the Treasury Department in that matter, for the Treasury Department must know what has been the best practice and what would be the best practice.

The individuals who own the stock of these various corporations which are engaged in business, of course, do not pay an excess-profits tax; so the question is entirely different from that of a holding company, and if it is the opinion of the Treasury Department that, taking all of these concerns together, it is fairer and better for the Government to have a consolidated return, I am inclined to believe that that ought to be provided for by the Senate.

I have no doubt that one might pick out a particular case and show that that would lose money to the Government; but, so far as I am concerned, I feel as though I must be controlled in that respect by the experience of the Treasury Department on this subject. I have no desire to allow any of these combinations which will enable any corporation to escape its share of taxes.

Mr. LENROOT. Mr. President, will the Senator from Minnesota yield to me?

Mr. KELLOGG. Yes.

Mr. LENROOT. I should be very glad if the Senator, or any member of the Finance Committee, will give any illustration of where, under a proper administration of the law, the Government could be the gainer by a consolidated return.

Mr. KELLOGG. Mr. President, I have not made the figures as to particular concerns. I concede, however, if any individual were incorporated and had to pay an excess-profits tax, that it might be impossible to make such an illustration; but where it is a combination of certain concerns in business I can see how they might so manipulate their earnings or expenses as to injure the Government, especially where they are more or less integrated concerns, being different branches of the same business. It is to such concerns that I understand this provi-

sion is intended to apply, and not to corporations having no relation whatever with each other. I am not able to give a case, and I do not in the least dispute the illustration given by the Senator from Wisconsin.

Mr. PENROSE. Mr. President, the chairman of the Committee on Finance would probably explain this matter, but I desire to say that one very notable case where the Treasury experts informed me the Government is the gainer by this system is the case of the United States Steel Corporation through its subsidiaries. The Government gets a considerably larger tax return from that enormous concern than it would if this paragraph were not in the bill.

Mr. LENROOT. Will the Senator from Pennsylvania explain how that can be if the capital and income are properly allocated to the different corporations?

Mr. PENROSE. Well, Mr. President, that would require my getting access to the figures to show how that does arrive, but I shall be very glad later in the day to show the Senator that and to have two or three examples of it inserted in the RECORD. I think it would be well to do so, and I shall endeavor in the course of half an hour to get the figures in tabulated form.

Mr. LENROOT. If the Senator is through, I desire to say that I think he will see that it is an absolute impossibility for the Government to be the gainer by consolidated returns if the corporation makes the proper return and if the Treasury compels the proper return.

Mr. PENROSE. Mr. President, I think I can persuade the Senator from Wisconsin that the contrary is the fact, and also, that there is hardly a paragraph in this bill in which an inequality can not be shown, as compared, perhaps, to different corporations, and notably in the case of comparison between partnerships and corporations. It is impossible to provide for every contingency so as to make the provisions of this bill bear with absolute equality. It has been a gigantic task even to approximate equality. I hope the Senator will wait for a little while, in order that he may be furnished some tabulated figures on the point to which he has referred.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Wisconsin [Mr. LENROOT] to the amendment reported by the committee.

Mr. LENROOT. On that I ask for the yeas and nays.

Mr. SIMMONS. Mr. President, I desire to say merely a word. The Senator from Wisconsin [Mr. LENROOT] calls for a statement of a particular case. The Senator from Pennsylvania [Mr. PENROSE] has referred to the great Steel Corporation. I am assured by the experts of the Government that that great corporation, taken in connection with its subsidiaries, will pay more tax under a consolidated return system than it would under a separate return system.

The Senator from Wisconsin says there is no case where a corporation would pay more under a consolidated return system; he challenges the proponents of this proposition to cite a case. All I can answer to that is that it is the positive statement of the department that there are numerous cases, and that the number of cases where the Government would receive more money would exceed the number of cases, so far as the aggregate results are concerned, where the Government would receive less money. Of course, if the department is misleading us, and if the Senator knows about this matter better than does the department which has dealt with the figures, that is a matter upon which I do not wish to pass any judgment.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Wisconsin to the amendment reported by the committee, on which the yeas and nays have been requested.

The yeas and nays were ordered.

Mr. SIMMONS. Mr. President, my understanding is that those who want to sustain the committee will vote "nay."

The PRESIDING OFFICER. The question before the Senate is the amendment offered by the Senator from Wisconsin [Mr. LENROOT] to the amendment reported by the committee. Those in favor of the amendment to the amendment will vote "yea," and those opposed will vote "nay." The Secretary will call the roll.

The Secretary proceeded to call the roll.

Mr. CURTIS (when his name was called). I have a general pair with the junior Senator from Georgia [Mr. HARDWICK]. In his absence I withhold my vote. If at liberty to vote, I should vote "yea."

Mr. GERRY (when his name was called). I have a general pair with the junior Senator from New York [Mr. CALDER]. I transfer that pair to the senior Senator from Illinois [Mr. LEWIS] and vote "nay."

Mr. JONES of Washington (when his name was called). The senior Senator from Louisiana [Mr. RANDELL] is necessarily

away for a few days. I have agreed to pair with him during that time unless I could secure a transfer. Therefore, I withhold my vote. If at liberty to vote, I should vote "yea."

Mr. SAULSBURY (when his name was called). I have a general pair with the senior Senator from Rhode Island [Mr. COLT]. I have been told, however, that if present he would vote as I shall vote on this amendment. Therefore, I feel at liberty to vote, and vote "nay."

Mr. TOWNSEND (when his name was called). I have a pair with the senior Senator from Arkansas [Mr. ROBINSON], and therefore withhold my vote.

Mr. UNDERWOOD (when his name was called). I have a general pair with the junior Senator from Ohio [Mr. HARDING]. In his absence I withhold my vote.

Mr. WOLCOTT (when his name was called). I have a general pair with the senior Senator from Indiana [Mr. WATSON]. In his absence I withhold my vote.

The roll call was concluded.

Mr. PENROSE (after having voted in the negative). I observe that the senior Senator from Mississippi [Mr. WILLIAMS] has not voted. I have a general pair with that Senator, which I transfer to the junior Senator from New Jersey [Mr. BAIRD], who is absent, and will let my vote stand.

Mr. FRELINGHUYSEN. I inquire if the junior Senator from Montana [Mr. WALSH] has voted?

The PRESIDING OFFICER. He has not.

Mr. FRELINGHUYSEN. I have a general pair with the junior Senator from Montana, which I transfer to the senior Senator from Rhode Island [Mr. COLT], and vote "nay."

Mr. STERLING (after having voted in the affirmative). I am informed that the Senator from South Carolina [Mr. SMITH], with whom I have a general pair, has not voted. I therefore withdraw my vote.

Mr. JONES of Washington. I understand I can transfer my pair with the Senator from Louisiana [Mr. RANDELL] to the senior Senator from Minnesota [Mr. NELSON]. So I will do that, and vote "yea."

Mr. REED. I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from Ohio [Mr. POMERENE], and vote "yea."

Mr. HARDING (after having voted in the affirmative). I understand that the Senator from Alabama [Mr. UNDERWOOD], with whom I have a general pair, withheld his vote because of my absence from the Chamber. Therefore, I beg leave to withdraw my vote.

Mr. CURTIS. I have been requested to announce the following pairs:

The Senator from West Virginia [Mr. GOFF] with the Senator from Oklahoma [Mr. OWEN];

The Senator from Illinois [Mr. SHERMAN] with the Senator from Kansas [Mr. THOMPSON];

The Senator from New York [Mr. WADSWORTH] with the Senator from New Hampshire [Mr. HOLLIS];

The Senator from Connecticut [Mr. BRANDEGEE] with the Senator from Tennessee [Mr. SHIELDS]; and

The Senator from Vermont [Mr. DILLINGHAM] with the Senator from Maryland [Mr. SMITH].

The result was announced—yeas 21, nays 34, as follows:

YEAS—21.

Ashurst	Johnson, S. Dak.	Lenroot	Reed
Borah	Jones, Wash.	McKellar	Trammell
Fletcher	Kendrick	McNary	Vardaman
France	Kenyon	Norris	
Hale	King	Nugent	
Johnson, Cal.	La Follette	Polindexter	

NAYS—34.

Bankhead	Jones, N. Mex.	Myers	Smith, Ga.
Beckham	Kellogg	New	Spencer
Frelinghuysen	Knox	Page	Sutherland
Gay	Lodge	Penrose	Swanson
Gerry	McCumber	Pollock	Thomas
Gore	McLean	Saulsbury	Warren
Gronna	Martin, Ky.	Shafroth	Weeks
Henderson	Martin, Va.	Sheppard	
Hitchcock	Moses	Simmons	

NOT VOTING—41.

Baird	Goff	Pomerene	Thompson
Brandegge	Harding	Ransdell	Townsend
Calder	Hardwick	Robinson	Underwood
Chamberlain	Hollis	Sherman	Wadsworth
Colt	Kirby	Shields	Walsh
Culberson	Lewis	Smith, Ariz.	Watson
Cummings	Nelson	Smith, Md.	Williams
Curtis	Overman	Smith, Mich.	Wolcott
Dillingham	Owen	Smith, S. C.	
Fall	Phelan	Smoot	
Fernald	Pittman	Sterling	

So Mr. LENROOT's amendment to the amendment of the committee was rejected.

The PRESIDING OFFICER. The question now is on the amendment of the committee as amended.

The amendment as amended was agreed to.

Mr. SIMMONS. Mr. President, I think probably the most controverted matter in the bill is that which relates to the tax for the fiscal year 1920, and I think we might just as well take it up now. The 1920 proposition occurs at quite a number of places in the bill—that is to say, it has a number of separate parts that will have to be acted upon separately when we come to vote. There will be some general debate; and I suggest that we take up now the first amendment that proposes to make a change as between the fiscal year 1919 and the fiscal year 1920.

Mr. PENROSE. Mr. President, I suppose the vote of the Senate on the first paragraph relating to the 1920 proposition will, of course, determine the action of the Senate on all of the other numerous cases where the principle occurs; and if, perchance, the amendment should be stricken out, the clerks could fix the rest of the bill accordingly.

Mr. SIMMONS. I assume that probably after some additional general debate we will take a vote upon the first section in which the 1920 subject comes up, and that the vote upon that will probably determine the result on all other amendments.

Mr. President, the Senator from Pennsylvania tells me that on account of the confusion in the Chamber the statement I have just made was not distinctly heard on his side of the Chamber.

The PRESIDING OFFICER (Mr. KING in the chair). The Senate will be in order.

Mr. SIMMONS. I wish, therefore, to repeat briefly in a general way what I did say.

The 1920 tax imposed in the Senate amendment is separated so as to appear in different places in the bill—that is, it appears once when we are dealing with income-tax rates; it appears again when we are dealing with excess-profits tax rates, and so forth. I had supposed that the best way of dealing with this matter was to take up first the section in which the first amendment relating to 1920 taxation occurs, and if there is any general debate let it take place upon that amendment, because if that amendment is voted in then I take it that all the balance of them will likewise be voted in; and the test vote can come, therefore, upon the first amendment to the bill that deals with 1920 taxation.

Mr. WARREN. Mr. President, the Senator believes that they are so correlated that that vote will settle practically the entire matter of 1920 taxation?

Mr. SIMMONS. I think so.

Mr. WARREN. I think it would be very wise if we could do that upon one vote.

Mr. PENROSE. Mr. President, the proposition is simply whether the Congress at this time should fix the 1920 taxes.

I spoke at length upon this phase of the question when I made a formal presentation of my views to the Senate two or three days ago, and I do not know that I have anything in particular to add at this time. The minority, with practical unanimity, have filed a report on the pending bill. Only one member of the minority did not sign the report, the senior Senator from Wisconsin [Mr. LA FOLLETTE], who was not in disagreement at all with his minority colleagues in the committee on that point, but who has a series of amendments of his own to offer, practically constituting a new scheme of taxation. Therefore with entire consistency he filed his own report, in which he states his agreement with the rest of the minority in dissenting from this attempt to fix the 1920 taxes in the pending measure, and then proceeds to explain his own views with regard to a scheme of taxation.

I have no doubt, from what I can gather, that the views expressed in this minority report are the views of the minority on the floor of the Senate.

Mr. SIMMONS. Mr. President, do I understand the Senator to mean that he thinks the Senators on his side of the Chamber will vote solidly against these taxes?

Mr. PENROSE. Oh, no; but I do not believe they will support any effort to impose in this bill the taxes for 1920.

Mr. SIMMONS. That is what I am talking about. I am talking about the 1920 provisions of this bill.

Mr. PENROSE. While I have not made a canvass of the minority, I take it that they will very largely, if not unanimously, vote against this attempt to fix the taxes for 1920 in the bill.

Mr. SIMMONS. I think probably the Senator is right. In the committee we were divided upon party lines upon this question. I do not think there is any concealment about that.

Mr. PENROSE. While the chairman of the committee says he believes I am right regarding the minority, I think I can make a safe guess that the majority will all vote the other way.

The committee was divided in this respect on strictly party lines. I think, perhaps, it was the only case in the nearly three months' deliberations of the Finance Committee, sitting all day and every day, in which party lines developed to any marked degree.

Mr. President, it surely seems like a violation of all ordinary legislative procedure to attempt to fix taxes for 1920 in this measure. We ought to pass the bill for 1918; and, after the 4th of March, when Congress must inevitably be called in extra session, a new revenue bill can be drafted to meet the requirements and conditions as they then exist. If this method of procedure was a violation of all precedents in normal times, it is, in my opinion, absolutely without excuse or reason at present when the immediate future is so stored with great events.

The pending bill, Mr. President, is the result of from five to six months of close, persistent study and consideration in the Ways and Means Committee of the House and in the Committee on Finance of the Senate. I do not believe the Senate nor, of course, the public realize the painstaking work which has been put upon this measure. We have had every assistance through frequent communications from taxpayers all over the United States. Leaders of industry from one end of the continent to the other have communicated their views to the committee. The committee had at its sessions the great benefit of the presence of several of the tax experts from the Treasury Department, notably representatives from the Tax Advisory Board. These gentlemen have, you may say, been living with this proposition for a year, and thinking of little or nothing else. They are thoroughly familiar with it from one end to the other. Their services could hardly have been replaced, nor could their value well be exaggerated; and yet, even with all this help and continuous labor, it taxed the energy and intelligence of the committee almost to the limit to frame the bill on its present lines.

Had the committee gone hastily to work and reported this measure to the Senate in a slipshod way gross inequities would have continued. It must be borne in mind that while these inequities can be endured when taxes are low, they become of infinite hardship when taxes reach the staggering figures imposed in this measure. I think one of the most extraordinary illustrations of the wisdom of deliberation, and of the influence of changing conditions, is that referred to in the report of the minority.

The Secretary of the Treasury urged the committee repeatedly, and finally in a communication to the chairman of the committee, that the measure must be passed before the 28th of September. As a matter of fact, it was not even reported to this body until several weeks after the 28th of September, much less passed by the Congress by that time. The Secretary predicted disaster to the fourth liberty loan, and apprehension was expressed time and again as to the inability of the Secretary of the Treasury to market short-time certificates should the bill not be on the statute books by September 28; yet, Mr. President, the Secretary experienced no difficulty whatever in placing his short-time certificates, and the fourth liberty loan was oversubscribed.

Mark you, Mr. President, the fact that the committee deliberated, and took its time, resulted in saving \$2,000,000,000 to the taxpayers of the country. Had the committee, I may say, been intimidated—for the course of the Secretary almost reached the status of intimidation—into hastening the passage of the bill, it would have carried \$8,000,000,000 instead of \$6,000,000,000, and the taxpayers of the country would have groaned under this increased burden. But the armistice occurred, peace came in sight, and the committee was able to reduce the taxes carried in the measure by some \$2,000,000,000.

It is true, Mr. President, that it is only an apparent reduction, because the loss on beverages, due to prohibition, ultimately will be considerably over \$1,000,000,000; but it did enable the committee to reduce taxes several hundred million dollars and to put in provisions, some of which on two or three occasions have been the subject of discussion on the floor, and which, in my opinion, constitute the most admirable features of the measure. Provisions such as those relating to amortization, depletion, depreciation, the inventory paragraphs, and others which might be mentioned, do not relieve anyone of just taxation but do eliminate inequalities and inequities and do not tax a man whose outgo is greater than his income or who has sustained losses by reason of the wonderful transition from a war to a peace period. Had the committee not been familiar with the most recent conditions, many of these relief provisions would not be in the bill. Had we hurried, \$8,000,000,000 of taxation would have been imposed upon the taxpayers instead of \$6,000,000,000.

While it is true that the departments have sent in their estimates to Congress, they are after all very liberal estimates. The natural instinct of a department chief is to protect him-

self from a deficit and he goes on the basis of the outside figures. The Secretary of War was before the Committee on Finance, as was the Secretary of the Treasury. They did not impress me with having any certain estimates of the requirements of the Government in the months to come, and I do not know that I can criticize them for not being able to make such estimates, because the whole world is unsettled and we can hardly tell from week to week what our expenditures are going to be and what our responsibilities will require. So it would seem that every argument was in favor of postponing any provision for taxes for 1920 until these conditions can be ascertained.

The only argument advanced by any member of the committee advocating what I may call this most irregular fiscal legislative procedure was that the taxpayers are entitled to know what the taxes are going to be for 1920, so that they may be prepared for them. Now, Mr. President, as a matter of fact, every taxpayer in the United States knows that the taxes will be reduced. He knows that, whatever the form and scheme of taxation, we are not going to require \$6,000,000,000 out of current taxes for another year; and as to the methods of taxation, we are in no position to inform him what kind of taxes he will be expected to pay.

One flagrant instance of great diversity of view is illustrated by the recommendation of the Secretary of the Treasury to drop the special-profits taxes and rely largely on the income taxes, personal and corporate; and yet that recommendation was entirely ignored by the majority members of the Finance Committee in providing taxes for 1920. There might have been some excuse for their not giving heed to his suggestion in the bill for 1918; but the Secretary's suggestion, in my opinion, is entitled to the most careful consideration. It indicates the form of taxation which we are bound to come to ultimately in this country, in which all these war-profits and excess-profits taxes will disappear and some kind of a straight income tax will be provided. Yet the majority of the committee entirely disregarded the recommendation of the Secretary of the Treasury, even with respect to the taxes for 1920. I do not think the taxpayers of the country are so anxious to know just what form of taxation is going to confront them, if they can get some reasonable prospect of a form of taxation which shall be fairer, and not work the hardships of these special-profits taxes. In my opinion, they would be much happier and business would be much better satisfied if they had the general feeling that taxes are going to be lower, rather than have these special-profits taxes retained in the 1920 provision.

Mr. President, it may be, and I hope it will be, that our war expenditures, outside of the funding provisions and the repayment of the national debt, will very largely have ceased by next summer when we come to frame a tax bill, should we be permitted to have that opportunity. To attempt now to tie up the Government and the business of the country with a continuance of these special-profits taxes, even if they are reduced, is, in my judgment, unwarranted and without justification. It is difficult for me to conceive of any logical argument which prompts the majority to insist on this amendment to the bill.

Mr. SMITH of Georgia. Mr. President, with much of what the Senator from Pennsylvania has said I am entirely in accord. It is undoubtedly true that the Finance Committee and all the members of the committee labored earnestly and faithfully in an effort to place this enormous tax bill upon the people with as little unfairness as possible and to lighten wherever possible the burdens, although raising by taxation so unprecedented a sum must necessarily bear heavily upon many, many of the people.

The House sent us the bill prepared with the purpose of levying eight billions of taxes, payable next year from the receipts of this year. The sum of eight billions was fixed upon the theory that the total expenditures for next year would be twenty-four billions. There was a difference of opinion as to what portion of the expenses should be carried as taxes. Some desired to raise half or even more of the entire expenditures immediately by taxes. Some wished to have 20 per cent, or even less, raised in that way. We arrived at a middle course and determined to raise one-third of the expenses of next year by a tax bill.

We first sought to lessen some of the burdens of the House bill, largely by opportunities for adjustment in the office of the commissioner. He had called to his assistance last year a board of five very able experts in tax matters, who had advised him on many questions at places where the original bill was somewhat in doubt, and who aided him in adjusting that bill, where discretion was left, to a fair and equitable administration of the law. As the Senator from Pennsylvania has said, we had the benefit of the assistance of that board—fair-minded,

capable men, interested solely to help us adjust this enormous tax as fairly as it could be done.

When the public think of the parts of this bill which grate upon them, they must not forget that we were engaged in a war with the most powerful military country in the world. We were mobilizing our resources to strike down the enemy of the peace of the world. We were fighting for our own homes and firesides, as well as for the freedom of other peoples.

The sum we are compelled to take from the people is unprecedented in the history of the world; and it is simply impossible to levy an \$8,000,000,000 tax and not have it felt, and felt severely in many, many quarters. We took the benefit of the views of the board to which I referred, and we enlarged the discretionary power of the Commissioner of Internal Revenue in a number of places where the unequal effect otherwise of the bill might have brought unjust burdens.

We took the normal income tax and put into it more brackets, so that from \$100,000 incomes down it was not quite so severe as the bill as passed by the House.

A large part of our work was in adjusting points looking toward a more equitable distribution of the burden until suddenly the armistice came and the war ended. Then the question was how much of the burden could we take off in consequence of the fact that we would not be actively engaged in the war next year.

After studying the probable expenditures required for next year, it was determined \$18,000,000,000 instead of \$24,000,000,000 would be the probable sum that would be required, and we thereupon, following the rule of raising by taxation one-third of the expense, determined to reduce the tax bill to \$6,000,000,000 instead of \$8,000,000,000.

We reduced somewhat the excess-profits tax. The brackets before had for their lowest charge 35 per cent and they went to 75 per cent. We reduced it to 30 and to 60 as a maximum. We took up the various schedules—the excise tax, the special taxes. We went through with those taxes likely to especially burden, to especially annoy. We reduced a large portion of them one-half. We struck out a number of them that we thought were the more unreasonable. We struck out the tax on gasoline because it entered into so many different occupations not simply being used in automobiles. We struck out the tax on the users of automobiles because we found from satisfactory evidence that the majority of the cars, the large majority, were really used in industries and that a very small portion constituted the cars used simply for pleasure. We had left a tax on the manufacture of cars, and we felt that was the share the automobile ought to carry.

We struck out a number of the taxes based upon the idea that if a suit of clothes cost more than a certain sum we would tax the excess, or a bonnet so much we would tax the excess. We simply struck out that paragraph of the bill. We believed that it was annoying and unnecessary. We brought the bill down to \$6,000,000,000.

There was not a vote cast up to that time in which party lines showed themselves at all. Then the question was this: We had fixed the \$6,000,000,000 tax bill for the year 1918, payable in 1919, and continuously this would have been the tax until it was changed by legislation. It was, under the bill, the tax for 1919, payable in 1920, and it was the tax for 1920, payable in 1921. It was the tax which would rest upon the people of this country until some future Congress might reduce it. It was prepared under peculiar circumstances. It was prepared bill down to \$6,000,000,000.

not for 1920. We knew that we would not need to levy a tax for so large a sum by \$2,000,000,000 for 1920.

Now, should we leave the tax bill fixing the tax for 1919, payable in 1920, at \$6,000,000,000, or should we reduce it in this bill, when we know we could do with \$2,000,000,000 less for 1920?

Senators say by reducing these taxes to \$4,000,000,000 payable in 1920 we have undertaken to anticipate future tax legislation and encroach upon the prerogative of the next Congress to make a tax bill. In other words, the Senate will, after the 4th of March, change as to party control, and so will the House. Therefore, they insisted that we should not fix the tax bill for 1919 payable in 1920. But the bill without change would do it. We fix it at \$6,000,000,000 for 1919, payable in 1920, if we do not amend the bill. The responsibility is with us to-day, and as nearly as we can fix what the tax should be for 1919, payable in 1920, we have undertaken to do it.

Mr. SIMMONS. We are making appropriations right now for 1920.

Mr. SMITH of Georgia. Appropriations are being made now, as the Senator from North Carolina says, for 1920.

Mr. PENROSE. Mr. President—

The PRESIDING OFFICER (Mr. VARDAMAN in the chair). Does the Senator from Georgia yield to the Senator from Pennsylvania?

Mr. SMITH of Georgia. I yield.

Mr. PENROSE. The Senator does not mean to maintain that the responsibility will be on his party after the 4th of March altogether?

Mr. SMITH of Georgia. I do not; but it is on us now to say what should be the tax for 1919, so far as this bill fixes it, and I decline to vote for \$6,000,000,000 fixed by this bill for 1919, payable in 1920. We no more control the action of the majority after March 4 by reducing the tax \$2,000,000,000 for 1919, payable in 1920, than we would control their action if we left it at \$6,000,000,000. They are just as free to handle the problem of taxation next year when we reduce the tax \$2,000,000,000 for next year as if we did not reduce it. It is our responsibility now.

Mr. SMITH of Arizona. It will be theirs then.

Mr. SMITH of Georgia. It will be theirs then, and we are unwilling to say it shall be \$6,000,000,000. We are unwilling to report a general bill fixing it at that sum for years to come.

I hope the majority after the 4th of March will act together, but we know that the views of the majority diverge on the subject of taxation. We understand perfectly that they are farther apart than they are from us; that the extreme of one side of the majority after the 4th of March is farther from the extreme on the other side of the majority than they are from us. We can, at least, make a start toward reducing the taxes for next year.

And what have we done? We have provided that the normal income tax shall be reduced one-third next year. We have cut it from 12 to 8 per cent. We reduce the excess-profits tax one-third for the next year. We cut the 30 rate to 20, the 60 rate to 40. We restore after July 1 first-class postage to its normal 2 cents a letter.

I hope Senators on the other side of the Chamber will be able to make more reductions next year. I hope we will find less money required, and I hope we will find means even better than those we will leave in this bill and less burdensome by which to raise required revenue. Because we make these three reductions it does not mean that the majority on the other side will not receive the heartiest cooperation from this side to perfect the best bill possible. I believe we will follow the example they set us during the past few months. I believe every Member on the other side sought to help make the best bill possible up to the six billions. I have not really been able to understand why they objected to this reduction for next year. I do not see why they should object to it. It does not mean final action any more than the \$6,000,000,000 would be final action if we left the tax for next year at \$6,000,000,000; but we see we can make these reductions.

Where would be better places to make them than to take one-third off the normal tax that falls upon everybody, to take one-third off the excess-profits tax, and put our first-class postage back at the old rate? We had trimmed all along through the other items in getting rid of the \$2,000,000,000, reducing the total amount from \$8,000,000,000 to \$6,000,000,000. I will repeat that we do not mean by this in any way that we are trying to preclude legislation by Congress. We could not do it.

Mr. KING. Mr. President—

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from Utah?

Mr. SMITH of Georgia. I yield to the Senator from Utah.

Mr. KING. I hope the Senator will pardon me for making a brief statement connected with one question referred to by him. While I shall vote with the majority of the committee upon the proposition to include in the pending measure the provisions imposing taxes for the fiscal year ending June, 1920, I confess that the views of the minority have much to commend them to the country. This great revenue bill will raise the largest revenue that has ever been imposed upon a people in any Government for an annual period. It proposes to raise six billions by way of taxes for the calendar year 1918 and four billions for the calendar year 1919. The position of the minority is that to lay taxes now to meet the expenses for the fiscal year ending June 30, 1920, is unwise because of the uncertain conditions and the confused situation in the economic and industrial life of our country. We are just emerging from the clouds of war and moving toward the plain of peace. It is difficult to determine what the conditions of the coming year will be. It is difficult, indeed almost impossible, to determine what the expenses of the Government or the industrial and economic conditions of our country will be.

We can not with any degree of certainty project ourselves into the coming year and visualize conditions and predetermine

at this time what the requirements of the immediate future will be. Scarcely any two persons agree as to what the appropriations for the coming year will be. No one can forecast how long we will be required to keep troops in Europe or the expenditures which the War Department will be compelled to make during the coming year. Personally I think the President should call a special session of Congress early in the coming year to deal with the revenue question and other important matters. Indeed, I think it is necessary, in order to meet the great questions which will demand solution, that Congress be convened in extra session early in the year 1919. At that time we would have fuller information as to the financial requirements of the Government for the fiscal year 1919-20 and could therefore act more intelligently.

The Senator from Pennsylvania [Mr. PENROSE] stated a few moments ago that the Secretary of the Treasury recommended that in any taxing measure providing for revenue for the coming year the excess and war profits taxes upon corporations should not be imposed. Without expressing any opinion as to the wisdom of this recommendation, the pending measure shows that the views of the Secretary of the Treasury have not been followed by the committee.

However, I realize that there are some cogent reasons for laying the taxes now for the coming year; they have been strongly stated by the able chairman of the committee [Mr. SIMMONS], but, with the permission of the Senator from Georgia, who has the floor, I desired to make this statement in order that he might appreciate the point of view which the discussion of this measure suggests to some members of the majority but not members of the Finance Committee.

Mr. SMITH of Georgia. I regret to hear the views of the Senator from Utah, but I am pleased to hear that he will vote for the tax reduction for 1919.

Mr. President, we have no power to call Congress together in March. The Senator from Utah can not do so. If the Senator from Utah would consider the subject carefully he would realize that we will know very little more about the situation in March than we do now. He ignores entirely the fact that the \$6,000,000,000 tax would be left applicable to the next year payable in 1920 unless we made the reduction, and he ignores entirely the further fact that making the reduction in no sense prevents Congress from considering a revenue bill later on during next year; that it is no more binding upon Congress than the six billion tax bill would be binding upon Congress; and that it is simply a declaration that these three taxes can be reduced.

Mr. PENROSE. Will the Senator permit me?

Mr. SMITH of Georgia. Certainly.

Mr. PENROSE. Does the Senator think that this action of the majority is calculated to inspire confidence in the great body of taxpayers, when the majority in the committee entirely disregard the recommendation of their own Secretary of the Treasury? The majority party is not even united on the tax scheme of 1920. The Secretary of the Treasury makes one recommendation and the committee makes another.

Mr. SMITH of Georgia. Yes; I think it will. I think our course was sound and the recommendation of the Secretary of the Treasury unsound. It is a question of judgment as to how we will raise the money. The Secretary of the Treasury suggested that all excise taxes on corporations be abolished, even though the normal income tax might be increased. We did not agree with that view. We thought that the normal income tax reaching all the people should be reduced and the excess-profits tax reduced equally, and we determined, I think more wisely than his suggestion, that it should be one-third off from each. I think the majority of the people will approve our view rather than his.

Mr. McCUMBER. Mr. President—

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from North Dakota?

Mr. SMITH of Georgia. Certainly.

Mr. McCUMBER. I think the Senator will recall that in determining how we would raise the \$4,000,000,000 for 1920 we simply took off practically one-third of the present rate. That is correct, is it not?

Mr. SMITH of Georgia. One-third off the normal and one-third off the excess profits, and we estimated that the balance lost from the war-profits tax would make up the \$2,000,000,000. The war-profits tax ceases with war, as the war profits cease.

Mr. McCUMBER. But it is based upon the assumption that the profits on the basis of 1920 or 1919 will be substantially the same as in 1918, and therefore if you reduce the rate one-third you will thereby reduce the amount of taxes received. But what assurance has the Senator or anyone else at this time that in 1919 or in 1920 the same rate of taxation would produce the same amount of taxes?

Mr. SMITH of Georgia. Nobody has any absolute assurance as to just what the income will be of individuals next year, nor have we any absolute assurance as to what the incomes of companies or corporations will be. We have no accurate knowledge now of what the incomes for the past year have been.

Mr. McCUMBER. But as we near that period will we not have a better basis of judgment as to what that income will be than we will one or two years prior to that time?

Mr. SMITH of Georgia. Instead of the policy of fixing a tax bill at the end of a year to apply to the year gone by, I regard it as much wiser and fairer to prepare the tax bill before the year begins. The only excuse we have for not getting our tax bill out earlier last year applicable to this year is the peculiar circumstances that surrounded us. Instead of adopting the view that we should wait until late in next year to see what would happen to fix the tax bill for next year, I believe it is sound policy to fix it, if possible, before the year begins with the best information and the best judgment based upon obtainable facts, and let people move into the year and through the year knowing in advance what proportion of their incomes they are to turn over to the Government as a result of taxes.

The wisdom of these three reductions that we make can not be questioned. They were intelligent reductions; they were sane reductions. We had already made reductions in the excess-profits tax, and we went further and reduced them one-third. The entire reductions we make are two-fifths, but we finally reduced them one-third from the figure we adopted for a \$6,000,000,000 tax; we reduced the normal taxes one-third and we reduced our first-class postage one-third after July 1, which amounted to something like \$70,000,000. That is vastly better than to go into next year entirely in the dark. It is vastly better than to go into next year with \$6,000,000,000 on us.

Suppose. Mr. President, when we got into next year the Senator from Pennsylvania [Mr. PENROSE] and the Senator from Wisconsin [Mr. LA FOLLETTE] undertook to agree on a tax bill, and we had to wait for a reduction of taxes until they agreed, we would get no bill, and we would leave the \$6,000,000,000 on us. The Senator from Wisconsin will yet offer amendments to the bill we have agreed upon, seeking to change it substantially in a direction that the Senator from Pennsylvania [Mr. PENROSE], the Senator from Massachusetts [Mr. LODGE], the Senator from Utah [Mr. SMOOT], and the other Senators on that side will hardly agree to.

You will not have easy sailing making a tax bill in the new Congress unless we help you do it. You can not make one on your own side; you can not agree on a tax bill as you will be organized, if the differences of views that have been so far displayed by Members on your side continue to exist.

We feel sure, however, that when the time comes, if additional modifications in the line of reductions can be made that appeal to the intelligence of Senators, cooperation will exist once more between the large majority of this committee, without regard to party. But in the meantime we are unwilling to say that the tax for 1919 shall be \$6,000,000,000 when we know that much will not be needed. We are unwilling to go to the country fixing a tax of \$6,000,000,000 for 1919, when we are sure \$4,000,000,000 will be enough. We in no way commit you finally by it; we in no way commit ourselves. We take the one step to help reduce the taxes, and later on, if we can find the amount needed or find revenue elsewhere, so that some of these taxes may be stopped or reduced, we will meet you, just as you met us, and seek to help accomplish the best results possible in behalf of the people of the entire country.

Mr. TOWNSEND. Mr. President, I do not intend to enter into a general discussion of the revenue bill at this time. I realize that the measure is already determined and Senators are desirous of voting at the earliest possible moment. Neither do I wish to be left out of that mutual admiration society, composed of the members of the Finance Committee, who have so generously congratulated themselves upon the excellent work that they have done. I am glad to be numbered among such efficient and patriotic Senators.

Mr. SMITH of Georgia. Does not the Senator think that we really tried to do the best we could, all of us, without regard to party?

Mr. TOWNSEND. I was going to say that I think—

Mr. SMITH of Georgia. I was meaning especially to compliment the minority.

Mr. TOWNSEND. Before I finished I was going to say something about those left-handed compliments which the Senator has paid the minority. But I do agree that up until the November election and the necessities of the Democratic Party seemed to require another course the committee worked in unison. I saw no indication of party lines in the Committee on Finance. The chairman was universally courteous and kind, and everything proceeded as it ought to proceed in legislation of this char-

acter. I think the chairman and the Senator from Georgia will agree that if ever there was a lack of a quorum at our committee meetings it was not because of the absence of the Republican members. They were in their seats at all sessions, almost without exception. They worked hard and conscientiously to frame the best possible bill to meet the emergencies of the times.

The Senator from Georgia fears that the Republican Party may not be able to make a suitable bill when it comes into power because of the lack of harmony among the members of the Republican Party. I hope he is sincere. I am going to assume and believe he is when he says that in preparing a revenue bill of this kind the minority should cooperate with the majority. It is more than possible that an opportunity will be offered.

Mr. President, I do not propose to enter into a discussion of the revenue bill for this year. It contains many provisions which I do not like, provisions which I could not change, and I am not sure that my suggestions, if they had been adopted, would all have been better, because an emergency revenue bill is a complicated matter and no general rule can be applied along the line of taxation that will deal justly and equitably with all concerns and individuals, even with those in the same class of business, depending, as the matter does depend, to a great extent upon the capital, the degree of intelligence and expertness, the amount of experience, and many other things that are involved.

I am very much opposed to this 1920 proposition of the majority of the committee. It is clearly a partisan movement and as unwarranted as it is unprecedented. The Senator from Georgia says it will make no difference in the future legislative situation and can not possibly embarrass the next Congress, whether the pending measure stands for the current fiscal year or includes the provision for 1920. The Sixty-fifth Congress can change the law if it wishes. That would seem so on the face of the statement, at least; but is it so as a matter of fact? The next Congress will be Republican—the House certainly and the Senate nominally so. No law can be enacted which does not receive the approval of the President. A two-thirds majority can not be obtained to override his veto. The law now enacted may continue till March 4, 1921. But no one believes that the most narrow, partisan President would allow a \$6,000,000,000 tax law to remain a statute after the war, when it is no longer needed. He would call Congress in extra session, as would be his duty to do and as other Presidents have done, to meet legislative needs. No, Senators; do not believe that the next Congress would fail to enact a proper law. No administration could remain in power and leave the Federal tax levy at \$6,000,000,000 in 1920. Therefore the President would necessarily call the Congress together for the purpose of legislating in reference to this matter.

I submit, further, Mr. President, if it had not been for the result of the election last November this 1920 provision would not have been inserted in this bill. Congress would have followed the usual course and would have legislated for the future as its necessities were disclosed.

If, however, you adopt this \$4,000,000,000 tax amendment for 1920 there will be no special tax need for calling Congress together after March 4, 1919, and there will be no opportunity to embarrass the President by the Congress recently elected by the people and against his expressed wish. Indeed, it might be possible, as I have said, to have no legislation until after the election in 1920, whatever situation may confront the country.

It is a fact that neither the Secretary of the Treasury nor the experts of the Treasury Department nor the majority of the committee understand clearly what are the needs of this year due to the changed conditions which have come upon the country. If we had continued in war with the program outlined which we were to follow we could have told more accurately how much money would be required than we do now. The Secretary of the Treasury bases his statement that we need \$6,000,000,000 this year upon the fact that we are going to materially reduce the expenses of the Government, and he gives as an illustration the expenditures of the first five months of the war as \$3,600,000,000. He says those expenses are going to decrease, yet the fact of the matter is that the very last month of the five—November—which was mostly in time of peace, or since the armistice was signed, there was the largest expenditure of any month of the number. It is also true as a historical fact that these expenses will probably multiply for several months after the war closed. It would seem, therefore, that the actual expenses of the first five months of this year being \$3,600,000,000, we can not rely upon the guess that only \$9,400,000,000 will be required for the last seven months. Anyway, it is, to use the Secretary's words, "the wildest guess." Our great expenditures are going to continue in 1919, and they are going to reach into 1920. They are going to be very great.

Nobody knows what they will be. Nobody can make an intelligent estimate as to what they will total.

Mr. SIMMONS. Mr. President—

The PRESIDING OFFICER (Mr. SPENCER in the chair). Does the Senator from Michigan yield to the Senator from North Carolina?

Mr. TOWNSEND. I am glad to yield.

Mr. SIMMONS. Mr. President, at the time the Secretary of the Treasury was before us he gave us the actual expenditures of the Government, I think, up to some time in November. Since that time we have the actual expenditures for the first six months of this calendar year, and practically they are brought down to the last of December. With an estimate as to some part of December—the part that has not yet expired, with just a slight element of an estimate—the actual expenditures of the first six months of this calendar year can now be definitely stated, and they amount to \$9,000,000,000, and I do not remember now how many odd millions.

Mr. SMOOT. And six hundred and odd million dollars.

Mr. SIMMONS. I think the Senator from Utah is right that it is somewhere near \$9,600,000,000. On the \$18,000,000,000 basis that would allow \$8,400,000,000 for the next six months. That is only a difference of a billion dollars. Does the Senator from Michigan believe that the expenses of the next six months of this fiscal year are going to be anything like so great as were the expenses of the past six months, when we were in war most of the time and when our expenditures were at the peak?

Mr. TOWNSEND. I was stating, Mr. President, before I was interrupted by the Senator from North Carolina, that these are simply estimates; that I do not believe that even the Senator from North Carolina now has any adequate information as to what will be the expenditures of the Government during the balance of this fiscal year.

Mr. SIMMONS. The Senator from Michigan is right; I have no absolute information. All my absolute information is as to the expenditures of the first six months; that is practically absolute now.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Utah?

Mr. TOWNSEND. I will yield to the Senator from Utah when the Senator from North Carolina shall have concluded.

Mr. SIMMONS. I want to say to the Senator from Michigan, however, that from time immemorial all statements of our expenditures which have been made before the beginning of the fiscal year have been nothing but estimates.

Mr. TOWNSEND. Yes.

Mr. SIMMONS. We never can have anything but estimates.

Mr. TOWNSEND. And they are always based on normal conditions.

Mr. SIMMONS. They are based on appropriations for a fiscal year which is to begin in the future.

Mr. TOWNSEND. But they are all based on normal conditions.

Mr. SIMMONS. Yes; they are based on normal conditions.

Mr. TOWNSEND. And we are now making, according to what the Secretary of the Treasury called it, "the wildest guess"; we are guessing about an unknown future, untried by any experience that we have ever had.

Mr. SIMMONS. What I have said to the Senator is that during the last six months, when we had the most abnormal conditions that we have ever had, we only spent a little over \$9,000,000,000. It is reasonable to suppose that during the next six months conditions will not be so abnormal, though they will still be abnormal, but not so much so as they were during the first six months. Of course, if we are going to assume that when the war is over our expenses are going to be just as great as they were during the last six months, when our expenditures were going up and up until they reached the peak, why, then, there will be something in the argument which the Senator from Michigan is now making.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Utah?

Mr. TOWNSEND. Just let me say a word, and then I will yield to the Senator from Utah.

The Senator from North Carolina [Mr. SIMMONS] states that the conditions have been most abnormal possible during the last six months. I do not think that is necessarily true. I think there are more uncertainties, more doubtful problems, entering into the next six months than have entered into the last six months as to what we are going to do. What is going to be done with the Government contracts; what is going to be done with the men who are employed; what is going to be done along the lines of the President's recommendation in his last

message that we look after the restoration of northern France and Belgium; and what is going to be done with all of these great new problems, which will involve the expenditure of billions of dollars? No one can tell. No one can make better than a "wild guess" as to what is going to be done and what will be required.

I now yield to the Senator from Utah.

Mr. SMOOT. Mr. President, I was simply going to say to the Senator from Michigan that there is no doubt the \$18,000,000,000 will be expended before the present fiscal year is ended. The appropriations for the fiscal year were over \$24,000,000,000, and, in fact, the authorized appropriations—that is, the authorization for contracts for which there was no appropriation made—and the sums loaned to the allies amounted to \$36,000,000,000; but the \$18,000,000,000 that are spoken of here are based upon the actual expenditures of the Government for the first six months and not upon the appropriations at all. For the first six months the actual demands of the Treasury of the United States were nine billion six hundred and odd million dollars. So, if in the following six months, or the latter half of the present fiscal year, there should be paid out of the Treasury \$8,400,000,000 that would cover the \$18,000,000,000.

As I said the other day, there is no more chance of having the requirements of the Government for the fiscal year ending June 30, 1919, falling short of \$18,000,000,000 than there is that we shall have to raise more than \$6,000,000,000 for the year 1920.

Mr. TOWNSEND. Mr. President, I believe that the Senator from Utah is absolutely correct about that. I do not think any Senator, not even the Senator from North Carolina, seriously believes or will contend that we are going to have any of the \$18,000,000,000 left at the end of this fiscal year. We, of course, are both guessing, and time alone can tell which is right.

Mr. SIMMONS. Mr. President, I did not mean to say that we should have anything left; but what I meant to say was that the \$19,000,000,000 estimate for this year is as nearly accurate as are the ordinary estimates made by the department. But that is neither here nor there, according to my judgment. The question is, how much money we ought to raise by taxation this year without reference to how much is going to be our expenditure. I think \$6,000,000,000 is enough; but, if the Senator will be so gracious as to yield to me and will let me take it out of his time, let me say to the Senator from Utah that however certain he may be about his position—and the Senator from Utah is generally very certain about his position; he makes statements which do not leave any doubt in my mind that he thinks he is absolutely infallible in his figures, and I am not saying that by way of criticism—

Mr. TOWNSEND. And he is generally pretty nearly right.

Mr. SIMMONS. Perhaps that is a good quality; but the chairman of the Committee on Appropriations of the other House is credited in the newspapers this morning with having made a statement to that body on yesterday, based upon his knowledge of the situation acquired by dealing with the estimates which have come to his committee, that from the substantially \$9,000,000,000 of authorized contracts that are included in the \$36,000,000,000 of which the Senator has just spoken, \$8,000,000,000 of that amount will never be expended. He stated that from the balance of the appropriations—the appropriations proper, not the authorizations—there will be a saving, and I assume he means by cancellation of contracts and otherwise, and not only by such cancellation, but because it is not necessary to spend the money which we expected to spend—that there will be a saving of \$8,000,000,000 more. Therefore, we have in those two items which were included in the estimate of \$36,000,000,000, referred to by the Senator from Utah, \$16,000,000,000 that under this statement would disappear.

Mr. SMOOT. Mr. President, certainly the Senator from North Carolina has not followed what I have said in the past. If the expenditures of the Government shall amount to \$18,000,000,000, that sum, taken from the \$36,000,000,000, will leave more than the amount to which the Senator has referred. I knew that it was impossible for the expenses of the Government to be \$38,000,000,000, and stated so when the appropriations were made; and I do know that the requirements of the Government for the fiscal year ending June 30, 1919, will be as near \$18,000,000,000 as it is possible for a person to estimate.

Mr. SIMMONS. Then, the Senator from Utah confirms the statement that \$18,000,000,000 is a fair estimate for the year 1918.

Mr. SMOOT. There is no doubt of it, Mr. President.

Mr. SIMMONS. That is what I have been contending.

Mr. SMOOT. That is absolutely true. My opinion is that, if anything, it will be a little more, but not much more.

Mr. SIMMONS. But that is a fair estimate?

Mr. SMOOT. It is a fair estimate.

Mr. SIMMONS. That is just what I have contended for all the time.

Mr. SMOOT. That is what I said a week ago to-day in a speech which I then made.

Mr. SIMMONS. The idea I meant to convey when I referred to the statement of the chairman of the Appropriations Committee in the other House was that, according to his statement—and his statement was not all embracing—I do not think he showed that the \$16,000,000,000 that were included in the appropriations and the authorizations had practically already been saved.

Mr. TOWNSEND. That is, \$16,000,000,000 to be deducted from the \$36,000,000,000.

Mr. SMOOT. Yes; and that will leave \$20,000,000,000.

Mr. TOWNSEND. The Senator means the \$20,000,000,000 that he thought might have to be provided for. That is \$2,000,000,000 more than the estimate and more than the amount provided. I mention that only incidentally; and the argument which has occurred here shows that I was correct in saying that there is some dispute as to how much money the departments want this year; and yet Senators propose to go into the year following and determine now how much money should be raised by taxation and how. I repeat that only the exigencies of politics—poor politics, I admit—would induce such unwise legislation. This Congress can with greater wisdom devote its time to devising economies than to tying the hands of the next Congress.

There was no special consideration of this matter before the committee. I am not complaining, for I am inured to Democratic methods, but the chairman of the committee proposed to make this proposed amendment overnight. We afterwards called the Secretary of the Treasury, the Secretary of War, and the Secretary of the Navy before us for the purpose of trying to get some information as to what the actual needs for 1920 would be. They were brought in afterwards, after the majority by a strict party vote had agreed to put on this provision for 1920; and then after we had heard these Secretaries there were very many of us—and I think some of the majority—who were not clear that anybody knew how much money would be needed in 1920.

Mr. BORAH. Mr. President, will the Senator from Michigan permit me to ask him a question?

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Idaho?

Mr. TOWNSEND. I yield.

Mr. BORAH. Mr. President, there is a great deal of mystery about the 1920 proposition from beginning to end. In the first place it seems to appear as a mystery, and in the second place the attitude of the Republican members of the Committee on Finance is a mystery to the rest of us. It was distinctly understood for a time, and it was published to the country, that the Republican members thought it was such an injudicious thing to do that it would be fought to the close of the session. It has been reported around here that the Republican members of the committee were called into conference and unanimously agreed that it was such an injudicious thing to do, that it was so unwise and so unfair to the taxpayers of the country that it would be fought to the close of the session. The next day or two the leader upon the Republican side of the Finance Committee appeared and stated that the Republicans had concluded to let it pass with what seemed a mere camouflage of opposition. Is this being done because it is in the interest of the taxpayers of this country or is it mere party finesse here in the Senate Chamber? Why is it that this appeared overnight first upon the Democratic side and disappeared overnight on the Republican side?

Mr. SMITH of Georgia. Mr. President, I should like to correct the Senator's statement. The exact measure appeared overnight, but it had been under discussion for days. From the day the armistice took place at once the question of reducing taxes for the following year was discussed.

Mr. BORAH. But, Mr. President, the 1920 proposition was brought to light and presented to the country and to the Senate as a whole, so far as public information was concerned, overnight.

Mr. SMITH of Georgia. That is a mistake.

Mr. BORAH. It is not a mistake, so far as the public is concerned.

Mr. SMITH of Georgia. The public may not have gathered it, but it had been openly discussed.

Mr. BORAH. That is another example of secret diplomacy.

Mr. SMITH of Georgia. It was not secret. It was talked of in the Marble Room, and it was discussed generally. I had been urging it for two weeks before it was brought forward by the chairman of the committee.

Mr. TOWNSEND. But not before the committee.

Mr. SMITH of Georgia. Yes; I mentioned it at least once before the committee; I brought it up twice before the committee, I am sure.

Mr. TOWNSEND. I never heard of it.

Mr. McCUMBER and Mr. PENROSE addressed the Chair.

Mr. BORAH. Mr. President, just a moment. So far as the Democratic portion of the strategy is concerned, I am not deeply moved about it, but I do not understand the maneuvering of the Republican members of the Finance Committee.

The country was advised that this was such an injurious, unfair, improvident, and unwise thing to do that the party coming into power felt constrained to defeat it even by the consumption of time, and yet within a few hours after that position was announced, as a result of a conference of all the members of that committee upon the Republican side, as I have understood, the whole program was changed overnight. I do not understand it, except as the bill itself unravels the mystery. I think if you shall find that this bill, which purports to levy an 80 per cent tax, in fact levies only a 48 per cent tax, you will have discovered the reason why this change took place.

Mr. TOWNSEND. Mr. President—

Mr. McCUMBER. Mr. President, may I ask a question of the Senator?

Mr. TOWNSEND. I was going to discuss the matter which the Senator from Idaho has brought up, but I will yield.

Mr. McCUMBER. It relates to the question when this matter was first brought before the Senate. I wish to ask the Senator from Georgia if it ever came before the Senate committee in any form before the 6th day of November?

Mr. SMITH of Georgia. It came before them immediately after the armistice. I do not locate it with reference to the election at all, because the election never entered into my mind in connection with it. I locate it in connection with the armistice. Immediately after it appeared that the war was going to end I began agitating it and published interviews concerning it in my own State. I expressed my views to other newspaper men, but they were not as much impressed as the papers of my home State. The suggestions of reducing taxes for 1919 were carried in the papers in my home State immediately after the German collapse. I do not connect their expression and publication with the election. So far as I am concerned the election had absolutely nothing to do with the proposed tax reduction.

Mr. McCUMBER. Mr. President, no one after the middle of October, when both Bulgaria and Austria-Hungary were out of the war and had surrendered and the Germans were all in full retreat, thought for a moment that the war would last another year. We knew then that the war was going to be over in less than a year, but it never occurred to us at that time that it was necessary to provide for the taxes for 1920, and it was never suggested in any form or shape until after the 6th day of November, 1918.

Mr. TOWNSEND. I think I will go on for a few moments now, because I wish to say something about that very subject before it is entirely exhausted.

Mr. SIMMONS. Mr. President, I think perhaps indirectly I have been wrongly criticized—

Mr. TOWNSEND. I assure the Senator that nobody wants to do that.

Mr. SIMMONS. And I should like to have an opportunity to make a statement.

Mr. TOWNSEND. Very well.

Mr. SIMMONS. I do not know what the Senator from Idaho [Mr. BORAH] means when he says there was a mystery about the provision for the 1920 taxes getting into the bill. I think the Senator from Michigan will bear me out in the statement that the Secretary of the Treasury wrote a letter, addressed to me as the chairman of the committee, which letter I submitted to the committee, in which he recommended that the committee make a reduction in the taxes for 1920, upon the ground that it would not be necessary to raise as much for that year by taxation as for the year 1919.

Mr. TOWNSEND. Does the Senator remember the date of that letter?

Mr. SIMMONS. I can not remember the date of it. I have it not here.

Mr. TOWNSEND. Well, it was after the election, and I understood that the chairman—

Mr. SIMMONS. It was after the armistice, and being after the armistice, of course it was after the election. We had not won the war when the election came on.

Mr. TOWNSEND. No; nor the election afterwards. Did not the Senator have conferences with the Secretary of the Treasury and with members of his own party as to this proposition before the Secretary wrote the letter to him?

Mr. SIMMONS. A few days before the Secretary wrote to me I had a talk with him in his office about this subject, and of course I talked with some of the members of the committee with reference to it. I do not now recall what members of the committee, but I do not think I made any distinction between the Democrats and Republicans of the committee.

Mr. TOWNSEND. Well, Mr. President, I attended the meetings with great regularity.

Mr. SIMMONS. Will the Senator let me say a word further?

Mr. TOWNSEND. Certainly.

Mr. SIMMONS. I think the Senator from Idaho, when he made the statement a little while ago that, instead of 80 per cent, we were only levying a tax of 48 per cent, made a statement which is probably not warranted by the figures.

Mr. BORAH. The Senator from Idaho did not say that. I said that, if it should be developed here, as we have been assured that it will be by one member of the Finance Committee, and it is revealed that we are only taxing war and excess profits 48 per cent when we are professing to tax them 80 per cent, that will be perhaps one of the explanations for the cessation of the fight on the 1920 tax provisions of the bill.

Mr. SIMMONS. I will not say that the total average profits tax would be 80 per cent. Nobody ever supposed it would be; nobody ever supposed that even the war-profits tax of 80 per cent would in practical operation levy more than 70 per cent upon war incomes. Many estimate it at less than 60; but the calculation to which the Senator refers groups the excess-profits tax and the personal-service corporation tax with the war-profits tax and strikes an average of all of them and then professes to be an average upon the 80 per cent tax, while, in fact, it is an average upon the 80 per cent tax, the 30 per cent, and 60 per cent tax, and the less than 20 per cent tax.

Mr. SMOOT. Mr. President, not only that, but it is an average of the taxes upon all corporations, some of which will not pay any taxes whatever.

Mr. SIMMONS. Exactly; and that will be developed when that position is taken before the Senate.

Mr. PENROSE. If the Senator from Michigan will permit me, I undertook particularly in the statement of my views before the Senate to say that the 80 per cent tax was not a full 80 per cent tax on the whole income of any corporation.

Mr. SIMMONS. Mr. President, if the Senator from Michigan will pardon me, it would only be an 80 per cent tax at the very maximum upon war profits.

Mr. PENROSE. Yes; upon war profits alone.

Mr. SIMMONS. But in arriving at this 48 per cent average I may say that it was computed on the 80 per cent war-profits tax, the 30 and the 60 per cent tax, and the very much lower tax upon personal-service corporations, and is practically, I think, a general average of taxes.

Mr. BORAH. Mr. President, what I had reference to is the statement—and I have some confidence in the gentleman who makes the statement, because he has been pretty accurate in the past on the subject and was infinitely more correct with reference to the amount of the tax in the last tax bill than those who were advocating its passage—after making these computations, that—

The net result of all these deductions is that instead of this tax being an 80 per cent tax it will average no more than 48 per cent of the net income of corporations, and most likely even less than this.

Mr. KELLOGG. Mr. President, may I ask the Senator from Idaho a question?

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Minnesota?

Mr. TOWNSEND. Yes.

Mr. KELLOGG. Does not the Senator mean 48 per cent of all income, without allowance for any exemptions at all?

Mr. BORAH. I am reading what the Senator from Wisconsin states in his views as one of the minority.

Mr. KELLOGG. I will ask the Senator if the 80 per cent tax was supposed to mean 80 per cent of all income, without any prewar exemption?

Mr. BORAH. No; I understand that it was—

Mr. KELLOGG. The 48 per cent referred to includes all income, without allowance for any exemption?

Mr. BORAH. Is that the Senator's understanding, that it only amounts to 48 per cent as an average?

Mr. KELLOGG. That is what I understand.

Mr. BORAH. Then, Mr. President, I can easily see why there should be great interest in the passage of this bill without much further discussion.

Mr. KELLOGG. I do not know that the figures are correct, but the statement does not purport to be 48 per cent of all war profits, but 48 per cent of the entire profits.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER (Mr. JOHNSON of California in the chair). Does the Senator from Michigan yield to the Senator from Utah?

Mr. TOWNSEND. I do.

Mr. SMOOT. Mr. President, I think if the Senator from Idaho would give this subject close study and take the amount of taxes actually imposed for the year 1918 on all business in the United States, he would come to the conclusion that an average tax of 48 per cent was a very high tax.

Now, I wish to say to the Senator that the amount, as estimated by the Senator from Wisconsin [Mr. LA FOLLETTE], includes all of the business of the country, some of which does not pay any excess war profits taxes.

Mr. BORAH. I do not know—

Mr. SMOOT. I know.

Mr. BORAH. Because the Senator from Wisconsin does not say so in his report.

Mr. SMOOT. But that is absolutely true, I will say to the Senator. Another thing I will say to the Senator here is, that under the bracket system which has been provided for here, wherever an institution has made war profits they pay 80 per cent upon all of the war profits; but if the Senator will notice I put in the RECORD, as a part of my remarks on last Monday, an example of just what an institution would pay under the bracket system. This is not a bracket step by step upon the different percentages, but it is so arranged that, if there are war profits, the tax is 80 per cent of the war profits made by the institution.

Mr. BORAH. Mr. President, may I ask the Senator from Utah if this sudden change of front with reference to the 1920 tax provision is not due to some things in the bill? Does the Senator know why this sudden change of front was made?

Mr. SMOOT. Mr. President, I can not answer that question, but I can say to the Senator that if a Republican Congress can act upon a revenue bill in time to change the law for 1920, I have no doubt they will do so, because the whole system now proposed, as I stated the other day, not only for this year but for 1920, is wrong, discriminatory, unjust, and can not be defended; and when the Republicans come into power I indulge the hope that we will pass a revenue bill that will be just to all business concerns in this country, irrespective of whether they are making large profits or small profits.

Mr. TOWNSEND. Now, Mr. President, I will proceed for a few moments. I desire to say to the Senator from Idaho that I was quite as much surprised as he was over the failure of the minority to stand up to the strong resolutions that were adopted when this provision was put in the bill by the solid Democratic majority in the Committee on Finance. I felt at that time that we were justified in going to any extent in defeating the bill if that provision was incorporated in it, and I understood that all of the minority members of the committee felt the same way. I can not see that this action can have anything to do with the tax provisions for 1919 contained in this bill, because they were agreed to practically before the provisions for 1920 taxes were brought forward.

There is something that attaches to the 1920 provision that is regarded as of political advantage, I think, on both sides. I think it was discovered, in the first place, or the Democrats thought they discovered, that there would be an advantage in now framing the tax law for 1920 and hold it on the statute books as against any action by the minority, because, as I have said, notwithstanding the statement of the Senator from Georgia [Mr. SMITH], the Republican Congress will be absolutely powerless to change this law unless he desires a change in it. He can then decide what action, if any, can be taken, and I protest against this. The Sixty-fifth Congress was elected upon the express issue of legislating without Executive coercion. The 1920 provision is unjust and inequitable. It will not be quietly tolerated in time of peace. Only normal and excess-profits taxes are reduced. All of the obnoxious war taxes of the 1919 law are retained. Transportation taxes and those on automobile truck manufacturers remain in the 1920 provision. As a war measure the people will submit even to apparently unjust taxation, but you must not impose upon them in peace.

It is not a safe political thing for any party to undertake a tax revision, but it must be undertaken from time to time. I am willing to assume the responsibility when the necessity arises. I am unwilling to have a repudiated majority prevent action by the next Congress. I do not fully understand all the reasons which actuate the majority in forcing this amendment. They are not fully disclosed. I do not understand either why some of the minority hesitate to use every means to defeat this proposition; but, so far as I am concerned, I have been prepared, believing as I do believe, that this is an unjust matter, to fight it to the end, even if the revenue bill itself were de-

feated, because the existing law will remain on the statute books, and it is admitted that we have got to raise from \$5,000,000,000 to \$7,000,000,000 by bonds during the next six months.

We have got to borrow that amount of money, and there will not be a difference of \$1,000,000,000—I think not a difference of \$700,000,000—between the revenues derived under the present law and those which will be obtained by the 1919 provisions of the pending bill. We could get along and the Government would not be embarrassed. But the Senator from Georgia [Mr. SMITH] says that he felt that it was our duty to legislate for 1920; that we ought not to leave the provisions of the law for 1919 on the statute books, as we have left all other laws on the statute books until repealed or amended; but why, if he is so concerned about that feature, ought we not to legislate for 1921 and 1922, and, indeed, up to 1930? Why trust future Congresses? If we want to satisfy the business of the country that taxes are not going to exceed a certain amount, why not legislate for the next 10 years? We have not been in the habit of doing so, and, as the junior Senator from Utah [Mr. KING] said a little while ago, it appears to an honest mind that this is an unusual procedure. Congress can be called together on the day following the 4th of next March to legislate under existing conditions at that time, and that would have been the case, sir, if the Democratic Party had retained control of the Congress.

There would have been no 1920 provision in this bill; but it is here now, and it leaves an open field for speculation as to why it appears.

No one should be criticized for speculating on the motive which caused this thing to be done, because it is unusual and unnecessary. As far as I am concerned, I am perfectly willing to meet the responsibilities of an extra session and a new revenue bill. I feel that it is my duty to do that. I think we could legislate better under revealed facts than we can under speculative conditions, such as now confront us; and, I repeat, I am willing to assist in defeating this amendment and even to go to the extent of filibustering against this revenue bill, knowing that my country would not suffer and believing that a more just and equitable law would be enacted in the light of reconstruction and peace conditions; and no one believes—I do not think the senior Senator from North Carolina believes—that \$4,000,000,000 will measure the necessary expenditures for 1920.

Mr. SIMMONS. Mr. President—

Mr. TOWNSEND. It may be too little; it may be too much; but if it is true, as has been stated by the senior Senator from Utah [Mr. SMITH] and shown, it seems to me quite clearly, that our expenditures next year in time of peace will total about \$10,000,000,000. It will be a novel experience for the Government under a Republican administration to issue bonds to meet current expenses in time of peace. And yet everyone knows now that Democratic financing during the last six years will make a large bond issue necessary in 1920.

I rose to-day more particularly to file my protest against the criticism, which will be charged up in the years to come to the party or to the administration then in power, that it was necessary to raise by bond issues two years after the war was over some six or seven billion dollars, it may be, to meet the expenses of the Government. When that time comes it may be necessary, it may be wise, to issue the bonds. No one can tell that now. No one is wise enough to know what it will be best to do when these new conditions arise. It may require a less tax than \$4,000,000,000 for 1920. Certainly, a new system of taxation may be desirable. No one can tell. I believe we will have to raise more than \$4,000,000,000 in 1920. I think our Democratic brethren believe it will be necessary, and it is possible they may see some political advantage in the probability.

Mr. SIMMONS. Mr. President, will the Senator permit me to interrupt him now?

Mr. TOWNSEND. I think it is but holding out a promise to the ear and breaking it to the heart of business to say that the taxes are going to be comparatively small when the necessities of the Government will be so large.

Mr. SIMMONS. Why, Mr. President, if the Senator will pardon me, of course I know that the expenditures of the Government for 1920 are going to be more than \$4,000,000,000, just as I know that the expenditures of the Government for 1918 are going to be more than \$6,000,000,000; and nobody, from the Treasury down, has ever proposed to levy a tax sufficient to pay all the expenses of this Government in those years, including its war expenditures.

Mr. TOWNSEND. That is right.

Mr. SIMMONS. Now, I want to ask the Senator this question: If the Senator from Utah [Mr. SMITH] is correct in his estimate—and I think I can show conclusively that he is not correct—that the expenditures for the year 1920 will

be \$10,000,000,000, does not the Senator know that at least one-half of that amount will be war expenses that have been incurred by the Government and the bills for which will not have been paid by that time? In case our expenditures reach \$10,000,000,000—five billions of the ten billions being war expenditures—does the Senator want to raise all of that money by taxation? Does he want to impose upon the people of this country a burden of ten billions in taxes, one-half of which is to pay war bills that have been incurred but not paid?

Mr. TOWNSEND. The Senator from Michigan is advocating nothing of the kind. The Senator from Michigan is advocating the policy of knowing what we have to meet, or approximately so, in order to proportion the amount of taxes to the amount of bond sales. That is what the Senator from Michigan is advocating. Four billions of dollars may be too much; it may be too little. That fact can not be determined until the time comes, and we will be better able to legislate adequately when we have all of the facts before us.

Mr. SIMMONS. If the Senator will permit me, the Senator says four billions may be too much. If four billions may be too much, then six billions certainly will be too much. What we are proposing is to reduce the taxes to be levied for that year from six to four billions.

Mr. TOWNSEND. But the Senator from North Carolina, like other Senators on that side, begs the question when he uses the expression "six billions." Nobody in the country, nobody in the world, believes it will be six billions. Nobody believes that at all; but if you left the law as it is now we would have an extra session of Congress to change it, to bring it to what is necessary and what justice requires should be levied upon the people of the country.

Mr. SIMMONS. How does the Senator know that we would have an extra session of Congress?

Mr. TOWNSEND. Well, President Wilson may be back by that time, and I assume that even he would realize that it was his duty, just the same as though there had not been a Republican Congress, to call an extra session to look after the interests of the people of this country, to frame a tax bill to meet the conditions and the needs of the country during that year. I am assuming that.

Mr. SIMMONS. The Senator is speculating about the question of whether or not we are going to have an extra session. He does not know, and I do not know. I assume that under ordinary circumstances, unless we make these changes now, they will not be made until some time after the beginning of the next Congress, which will be in December, 1919. If that happens, if we leave the provision for six billions of tax in the law, does not the Senator believe that from now until that reduction is made next December, probably—perhaps later than next December—the business people of this country, when they go to fix the prices of their products that are to be sold in the calendar year 1919, will make allowances in the prices they will charge the people for the taxes they would have to pay under the law existing at the time of their sales?

I think we shall all be forced to agree that that would naturally be the course followed. These profits taxes are passed on. The business man is not going to take any risk. He is not going to say: "These taxes may be lowered at some time in the future." He is going to say: "I will fix my prices according to the rates as I find them in the law." Therefore, of course, he will go on in that way, fixing his prices according to the rates he finds in the law until next December, the end of the calendar year; and then suddenly you remit two billions of those taxes to the taxpayers of this country. Then you will have this situation, if the Senator will pardon me further: The people will have paid, in the increased prices of the products they buy, \$2,000,000,000; it will be in the pockets of the men who sell them these necessities of life; and then you will remit that \$2,000,000,000, and it is nothing more than a pure subsidy.

Mr. TOWNSEND. Why does not the Senator's anxiety extend to the year 1921 as well? The next Congress may not pass any tax bill, and according to his theory we ought to fix it for all time to come.

Mr. SIMMONS. The Senator knows perfectly well that the bill provides that the tax for the next calendar year, based upon the income of the next taxable year, shall be six billions, and for every year thereafter four billions. Now, if the four billions is more than is needed in any subsequent year, you can reduce it; but until you do reduce it or increase it that will be the tax for 1921, 1922, 1923, and so on indefinitely, until it is changed.

Mr. TOWNSEND. I am very glad the Senator brought that out, because it shows conclusively what he had in mind—a peace tax of \$4,000,000,000 to run for years to come.

Mr. SIMMONS. No; Mr. President.

Mr. TOWNSEND. Or that may run for years to come.

Mr. SIMMONS. The Senator misrepresents me.

Mr. TOWNSEND. No.

Mr. SIMMONS. I said to the Senator a little while ago that a considerable part of the expenditures for 1920 was going to be made up of left-over war bills.

Mr. TOWNSEND. But the Senator fixes that tax for all years to come.

Mr. SIMMONS. Yes; because after that year I have no basis of any kind whatsoever.

Mr. TOWNSEND. The Senator is wise enough to know that Congress is going to meet and pass revenue bills. He knows that. He knew they would have done that if there had not been any provisions for 1920 in this bill. The President would have called Congress together. I believe that he is going to do it anyway, whether he wants to or not, because I assume that he was sincere and the Secretary of the Treasury was sincere when they asked us to act immediately on the railroad question. I assume that he was; and if he was, we shall have to have an extra session of the National Legislature. I can not remember a time since I have been in Congress, during 14 or 15 years, when we have not had a special session at the end of the old Congress. We ought to have an extra session after March 4. I think we must have one. I think if the Republican Members had stood up and fought this provision to the finish there would have been one or else this iniquitous amendment would have been defeated.

Mr. SIMMONS. Let me say to the Senator that the Senator from Idaho thinks there is some mystery about the original position of the Republicans as illustrated in their caucus. I do not think there is any mystery about it at all. I think the only ground in precedent, in principle, or in policy for opposing fixing the tax for 1920 at less than that for 1919 grew out of the desire of the Republican Party to force an extra session. I believe that was the ground of the opposition.

Mr. TOWNSEND. Does the Senator think that adopting this provision for 1920 will force an extra session?

Mr. SIMMONS. I think the minority had an idea at one time, and I think that idea prevailed in the caucus—

Mr. TOWNSEND. The conference.

Mr. SIMMONS. That if they defeated this proposition to reduce the taxes for the year 1920 probably it would contribute to, if it did not force, the calling of an extra session.

Mr. TOWNSEND. Oh, well, I did not understand. I understood the Senator to say that the majority changed its position and favored the 1920 provision to force an extra session.

Mr. SIMMONS. If I said "majority," I meant "minority." I referred to the statement which the Senator from Idaho [Mr. BORAH] made here a little while ago, in which he said that there was a great mystery about the change—the sudden, overnight change—in the policy of the minority with respect to this 1920 tax, and he could not imagine what had brought about that sudden change. He stated to the Senate—and I was glad he did—and to the country that you had a caucus—I believe you call it a conference, but it was a caucus—in which you agreed, according to the Senator's statement, to oppose to the bitter end, to fight to the last ditch, so to speak, this 1920 tax.

Mr. PENROSE. Mr. President—

Mr. SIMMONS. And he said that suddenly the minority had changed on that question, and he said that there was a mystery about it.

Mr. PENROSE. Mr. President, before the Senator continues statements with no foundation in fact I should like to inform him—

Mr. SIMMONS. If there is no foundation in fact for any statement I have made, the Senator knows that I will take it back; but I was here, I listened to the Senator from Idaho, and I think I understood the Senator from Idaho as well as the Senator from Pennsylvania.

Mr. PENROSE. The Senator from North Carolina has stated that the Republicans held what he called a caucus.

Mr. SIMMONS. Oh, I did not say that. I know nothing about it. I said that the Senator from Idaho spoke of it in that way.

Mr. PENROSE. There was no such caucus or conference, whichever it may be termed, held at any time that I know of. The Senator from Georgia [Mr. SMITH] was the first member of the committee to breathe fire and flame when he declared that he would rather defeat the bill than not have the 1920 provision in it; and perhaps some of the minority might have been a little incensed at this effort, after election day, to tie up the Government. But, like a great deal of talk in this world, it passed by and patriotism prevailed and everyone felt that the Government had to have the money and the bill had to be passed.

Mr. SIMMONS. I have made no charge, and I am making no charge, against the minority.

Mr. LODGE. Mr. President—

The PRESIDING OFFICER (Mr. Moses in the chair). Does the Senator from Michigan yield to the Senator from Massachusetts?

Mr. TOWNSEND. I am perfectly willing to yield, but I should like to have a little regularity about these interruptions, so that I can follow them myself. I now yield to the Senator from Massachusetts.

Mr. LODGE. I only wanted to say to the Senator from North Carolina that he must not suppose us quite so ignorant of the parliamentary situation as to think that the bill with which to force an extra session is a revenue bill. Nobody thought that for a moment. The existing law could go on. But there are other bills which will force an extra session; and I will simply say that perhaps the Senator has been so long in power that he does not quite remember what has happened. There may be an extra session. Do not count so confidently on there not being one.

Mr. SIMMONS. I have not said that there would not be one. I have not said that there would be one. I do not know. Frankly, I do not know. What I said was that I believed that one of the reasons or considerations for the original position to which the Senator from Idaho referred was that it was thought at one time refusal to cooperate with the majority in this matter might contribute toward forcing an extra session. Now, I will let that statement stand in the Record for what it is worth.

Mr. TOWNSEND. Mr. President, I think I have finished, and I think everybody else has had an opportunity to say what he wished to say in my time. I did not expect to intrude so long upon the Senate. I simply wanted to voice my opposition to this 1920 provision. It makes reductions in income taxes, war taxes, and so on; but it leaves for 1920 all of the most obnoxious war taxes of 1919.

For instance, we have here—and I am going to offer an amendment to eliminate it—a special tax provision of 5 per cent on the manufacturer of automobile trucks. We have many other similar taxes in the bill. Unless it is necessary for the support of the Government, there is no more reason why you should put a tax upon the manufacturer of automobile trucks than there is for placing a tax upon the manufacture of wagons or buggies or any other necessity; for automobiles and automobile trucks have come to be absolute necessities. I am going to offer an amendment to strike that out of the bill when we get to it. But what I say is that here, two years in advance, you proceed by a system of reduction in certain items of taxation in a war-revenue bill to make the law for 1920. You can not know now in advance whether these are the only things that should have a reduction or not. There may be others. We may feel like eliminating some of these obnoxious, disturbing taxes which are an annoyance, which bring in little revenue, but which create injustice and burden legitimate industry. I think we ought to consider these questions by themselves, and it can not be done unless we take up a new bill, as we would be obliged to do if we brought up one next spring.

Mr. McCUMBER. Mr. President, I wish most briefly to state why I can not concur in the majority view that we should legislate this year for the fiscal year 1920. I have taken up no time whatever in the discussion of this bill on the floor, having said what I wanted to say on each feature as it arose before the committee; but I wish I could eliminate from my mind not the mere suspicion but the very strong conviction that the 1920 provision is a political provision only and is instituted for the purpose of gaining political advantage.

I know that in the bill of 1917 there was not in the committee one word or expression that would indicate any character of partisanship in bringing that bill before the Senate; and I know also that from the time the present tax bill came before the committee, as suggested by the Senator from Georgia [Mr. SMITH] and the Senator from North Carolina [Mr. SIMMONS], there never had been, prior to November 6, an intimation on either side of any desire to take any political or partisan advantage in the form the bill should assume. We got along very nicely until after the 6th of November, 1918; and then there was suddenly brought before us this provision to tie the hands of the succeeding Congress for 1919.

I know of only one instance in the whole history of the country in which a tax bill passed by Congress has provided for a different rate for any succeeding year. That was in the revenue bill of 1828, as I remember, which was a tariff bill and which provided that in each succeeding year the tariff should be reduced 10 per cent. We know the result of that upon the coun-

try. By the year 1833 it had brought about a condition almost of bankruptcy throughout the United States. We have never attempted that since, to my knowledge, until we reached the bill that is before the Congress at the present time.

In considering this matter I have to sort of decide what I would do were I attempting in any way, as a good Democrat, to influence the election of 1920. I would reason along about this line:

I would first provide, by a bill in 1918, for a tax which I knew would not raise the necessary amount of funds for the year 1920, and I would leave that for the succeeding political party to get out of the best way they possibly could. I would reason, as we all reason, that the American public, like every other public, detests taxes of any kind. I never knew any character of tax that any people were particularly enamored with; and if I could say, "The Democratic Party has placed upon you for 1920 a tax that will bring in only \$4,000,000,000, and now a Republican majority comes in and finds that it has to raise \$8,000,000,000," the Republican Party would necessarily have to take the onus of issuing bonds in times of peace; and I would reason somewhat along the same line of reasoning that was indulged in after President Cleveland found it necessary to issue bonds to the extent of \$262,000,000, which had a very strong influence against the party then in power and assisted the Republicans to come into power. I would naturally follow that course.

That is just exactly what was done in the Committee on Finance. Nothing was ever urged or said about providing for the 1920 taxes until all the votes had all been counted on the 6th of November, 1918; and immediately thereafter we found that we had to provide for a lower tax in 1920.

Mr. President, I do not think it was necessary to take into consideration the 1920 taxes; but I want to ask why, if it was thought necessary, the majority party never dreamed of it until after the 6th day of November, 1918? In the early part of October, 1918, Bulgaria had surrendered. Shortly thereafter Austria-Hungary had practically surrendered to the allies. The German eastern flank was threatened. Every single day from the 18th of July Haig had advanced, up until the 10th day of November. Foch, on the French line, had day after day advanced his armies. The Germans were retreating everywhere; and in the latter part of October, long before we had determined what the political policy of this country should be for the ensuing year, the whole German Empire had thrown up their hands and yelled "Kamerad!" We knew that they were defeated. We knew then that the war would not and could not last even until January. Even before the election they had pleaded with us to make terms of armistice, and had intimated that they were ready to surrender, whatever our terms might be. Still it never occurred to anyone up to that date that it was necessary to provide a lesser sum to be raised by taxation in 1920, although we knew positively at that time that the war could not last another three months.

Mr. President, the Senator from Pennsylvania has intimated that in all probability the Republican Congress would lower the taxes. I am going to differ with him there. I do not think it is going to be possible to have lower taxes for the year ending July 1, 1920, than for the year ending July 1, 1919, and I will tell you why. The reason is simply this: You have lowered your rate about one-third. Does anyone believe that in times of peace, when all of the business interests of the country will be that much nearer to a normal condition and when they will have to compete against not the necessities of a government which would buy everything they produced at three times its value but against the entire commercial world, there are going to be any such fabulous fortunes made in 1920 as were made in 1919? I think I am conservative in saying that at least the profits will be reduced 33 per cent, taking the whole country over; and if you reduce the profits 33 per cent, then upon the same rate of taxation you will not raise any more than four billions in 1920, even with the rate of taxation that you have in force to-day.

So it is not necessary to deceive the American public into the idea that their taxes will be less for 1920 than they are to-day. There is just one way, and that is to introduce and pass during the next session—an extra session—a tariff bill that will take a portion of the taxes from other portions of the world and relieve us to just that extent. If we can take \$160,000,000, which is, I believe, about what we raise to-day from the tariff, and make it raise \$200,000,000, of course we can gain \$140,000,000, and if we can raise it to \$500,000,000 we can raise just exactly that much more and reduce the taxation in this country to just that extent.

But, Mr. President, we will have to issue bonds, and the amount of bonds will be considerable. We have been conducting the war in a most criminally extravagant manner, in a manner, when all the facts are known, that will shock the sense of justice and the conscience of the American public. We made our contracts and we have to pay the bills. Many of those bills will run over into next year. Then we will have to raise the money to meet them, no matter what the extravagance might have been. We are going to need more than \$4,000,000,000 in 1920, in my judgment, unless we reduce the amount by some character of tariff legislation.

So, Mr. President, I think it is unjust for the majority to say to the American people you are going to be taxed less than we believe you will have to be taxed to meet the requirements of the Government, and enforce upon a succeeding party the necessity of explaining why it is necessary to raise this amount.

Mr. President, I say candidly that I can not, for one, vote to fix the revenue for 1920 at an amount which I honestly believe will be far less than the amount required. Nor am I willing to base a tax upon what the Secretary of the Treasury says emphatically is the wildest kind of guess as to what we shall need in 1920. As has been suggested by the Senator from Michigan [Mr. TOWNSEND], if we are going to legislate for 1920 we might legislate for 1921 and 1922.

Mr. SIMMONS. Mr. President, I think the Senator does not mean to misrepresent the statement of the Secretary of the Treasury.

Mr. McCUMBER. Certainly I do not.

Mr. SIMMONS. I think the Secretary of the Treasury was referring specifically to the estimates for 1919 of \$18,000,000,000.

Mr. McCUMBER. Oh, no; if I remember rightly he used the words, in answer to a question that was propounded to him, and said it was really the wildest kind of a guess as to what the requirements of the Government would be for 1920.

Mr. SIMMONS. That was stated here the other day, and I am very sure he did not say it. I examined the record.

Mr. McCUMBER. If there is a difference of opinion between the Senator and myself upon that point, I think there is no difference in our opinion that in fact it is the wildest kind of a guess to determine what our expenses will be two years from now.

Mr. SIMMONS. I wish to say to the Senator it is my candid opinion, after thorough investigation, that there is more uncertainty about the estimates for 1919 than about the estimates for 1920.

Mr. McCUMBER. We have dealt with 1919, and if we make a mistake and in our mistake vote for a sum that is far too little, it must necessarily carry itself into the next year and but exaggerate the error which we are now going to make in providing for less than we shall need during that year.

Mr. President, it seems to me that sufficient unto the day is the evil thereof, and that we must legislate for 1920 in 1919. I appreciate the fact that the majority party do not wish to have an extra session. I wish it were possible that we could escape an extra session next year. I can naturally understand that if we do not have an extra session and do not introduce a new tariff bill until December, 1919, we will run well, perhaps, into 1920 before we find out the operation of that new tariff bill, and in the meantime the opposing party will have all the political advantage it can possibly acquire from such an uncertain condition. I wish that we could settle what our tax legislation shall be in 1919, just as we have always done in the past, with only the taxation for the ensuing year, without attempting to tie the hands of Congress.

Mr. KELLOGG. Mr. President, I shall not take the time of the Senate for a general discussion of the revenue bill. I recognize that it is the desire of the Senate to pass it at once. But I do not wish the bill to become a law without at least registering a brief protest against carrying the iniquities of war profits and war excess taxes beyond the period of the war.

It has been stated by the Senator from North Dakota [Mr. McCUMBER] that we have been carrying on the war extravagantly. That unfortunately is true. I shall not take the time of the Senate to go into the details, but I should like to remind the Senate that Great Britain carried on the war for four years, raised 5,000,000 men, built all her new cantonments and manufactories, added to her navy, policed the North Sea, transported armies to foreign shores, to the East, and purchased much of the material in our market at high prices, and paid the bills for \$34,000,000,000.

Mr. BORAH. Great Britain did not have any Hog Island.

Mr. KELLOGG. That is quite true. We, on the other hand, according to estimates, in the two years of our participation in the war, including the estimates for the next six months, will

spend \$31,000,000,000. Not including any loans we may make to the allies from now until next July, at least we will spend that, and probably those loans will increase it so that our two years of war will cost us as much as Great Britain spent in four years.

Of course, Mr. President, we have been extravagant. In the ordinary course of events a country not organized for war but for peace, which undertook to marshal a great army and all its resources in so short a time would be extravagant. But we have been more than extravagant. When we realize that the report of the Department of Justice shows that in the Hog Island shipyards, which the revised estimate showed would cost \$27,000,000, they have spent \$63,000,000, and the department confesses its inability to account for the difference; when we realize that a billion dollars has been spent in the airplane service, and that when the war closed we had a negligible number—only 312; and when we realize the enormous extravagances of the Ordnance Department and the waste in the housing department, of course we can see where these expenditures have gone.

But, Mr. President, we are willing to forget and wipe the slate, at least so far as paying the bills are concerned, because of the splendid results of the men we sent abroad. Their accomplishments, the wonderful strength of the Army, drawn from the best manhood of this country, furnishes a bright page in American history. And it is because of the success of the war and because of the results achieved by our armies upon foreign shores that the American people are willing that this bill, large as it is, should be passed and the expenses of the war be paid.

But with this tax bill, which I believe is unprecedented in any country engaged in the war, there will be at least \$5,000,000,000 more bonds to be sold between now and July, 1919, and probably \$5,000,000,000 more in 1920.

Mr. President, I am not willing to vote to carry the inequalities and injustice of this system of taxation into a period after the war. I believe the next Congress should be given an opportunity to frame a just and equitable tax bill, when we are not under this pressure of raising in a short time the largest sum of money possible with safety to the business interests of the country.

A personal, progressive income tax, with a heavy surtax on large incomes and a corporation income tax are just and equitable taxes. The wisdom of man can not discover a way of making an excess-profits tax a just and equitable tax between individuals, partnerships, and corporations. The very nature of an excess-profits tax—since an exemption basis of earnings by way of capital must first be established—makes it discriminatory, because the overcapitalized concern escapes taxation and the conservative undercapitalized business man is penalized. It can not be helped.

I do not believe that we should carry into 1920 this most vicious part of the bill. A war-profits tax is more equitable, but, of course, both the war-profits tax and the excess-profits tax of necessity must impose a great hardship on some business concerns and unjust discrimination between different corporations engaged in business.

Last year, as I said, when the excess-profits tax bill was before the Senate it discriminated against corporations, partnerships, and individuals engaged in business with a small capital, conservatively organized concerns, and was in favor of the large capitalized corporations of the country. This bill will inevitably do the same thing. We have a section of this bill carrying into next year the discriminations and inequalities of such a system. Of course, it is a large tax bill. The necessities of the Government make it inevitable. I shall not go into any general discussion of the features of this bill. I have prepared a synopsis of the income taxes and other war taxes of Great Britain, France, Italy, and Germany in order that they might be compared with the proposed taxes in this country. I shall not stop to discuss it, but I ask permission to print it in the Record at the end of my remarks as an appendix.

The PRESIDING OFFICER (Mr. Moses in the chair). Without objection, it is so ordered.

Mr. KELLOGG. While it is true that it is difficult to compare this tax bill with the taxes imposed in foreign countries, I believe I am well within a conservative statement when I say that we are levying, all in all, the heaviest tax ever levied by any of the countries in this war—income, excess-profits, and war taxes altogether. It is true that the normal tax on incomes in Great Britain, as you will find, is 30 per cent; but it is also true that there are so many exceptions, reservations, and exemptions that it is hard to say whether the normal tax, as a whole, is greater than ours.

The surtax in Great Britain is higher for the smaller incomes, but for the larger incomes the proposed surtax in this bill is very much higher than the British. I am speaking from recol-

lection when I say that no surtax in Great Britain goes above 22½ per cent. This is upon incomes of \$50,000 or more. The exemptions of the war-profits tax in Great Britain are fully as liberal, if not more so, than ours. The rate levied is 80 per cent on the balance. I do not think it is fair to say that this bill does not levy 80 per cent upon the war profits. In order to arrive at a war-profits tax, of necessity the bill must first provide for an exemption of prewar net earnings, and our system of arriving at prewar earnings is in general the British system, and we levy 80 per cent upon the balance.

I have not heard of any serious objection by the American business men to the payment of taxes last year or the proposed taxes in this bill. The American people have made up their minds to win this war, and if it was necessary they were willing to pledge every dollar of their incomes and the vast resources of this country to that end, and they will pay these taxes without serious objection. But what I do object to is, at the present time, without the knowledge of what we shall need next year, carrying forward the worst part of this bill into 1919 and 1920.

As stated by the chairman of the Committee on Finance [Mr. SIMMONS] in his opening speech, we can not tell what the expenses of the Government will be next year. We do not know what we have to pay in liquidation of the contracts of millions and millions of dollars for the various war projects. We do not know what we may have to pay in liquidation of the wheat guaranty, which was a war measure. We can not say now what taxes should be levied for the next year. I hope that it will not be necessary to levy more than the \$4,000,000,000. I think the American people are entitled to look forward to a decrease of these enormous war taxes. It is said that the tax bill should be passed and become a law before the beginning of the year in which the taxes are to accrue. Undoubtedly that is true, but that has not been our practice. The tax bill of 1917 was passed in October of that year, and this bill, which might have been passed last summer had the majority party, desired to do so, is now still on the calendar of the Senate near the 1st of January.

As I have said before, while I do not wish to take the time to discuss the bill at length, I wish to enter my protest against the taxes for 1919 and 1920.

APPENDIX.

SYNOPSIS OF INCOME-TAX ACTS, VARIOUS COUNTRIES, 1918.

It is almost impossible to formulate a comprehensive comparative statement of the income-tax rates of the different countries now engaged at war. The best that can be done is to state as concisely as possible the general rates applicable under general varied circumstances in each particular country.

GREAT BRITAIN.

INCOME TAX—RATES OF TAX.

Normal tax, 30 per cent of net income. This, however, is not without qualifications. There are certain exemptions, abatements, and reliefs, hereinafter specified, which pertain to incomes below \$12,500 per year, and which must be considered in connection hereto.

Incomes below \$12,500 per annum.

EXEMPTIONS.

Incomes not exceeding \$650 per annum are exempt from the operation of the income tax.

ABATEMENTS.

In the case of incomes over \$650 per annum and not exceeding \$3,500, deductions, known as abatements, are made before the income tax is applied. This abatement is graduated as follows:

Income—	Abatement.
Exceeding \$650, not exceeding \$2,000.....	\$600
Exceeding \$2,000, not exceeding \$3,000.....	500
Exceeding \$3,000, not exceeding \$3,500.....	350

In the case of incomes exceeding \$3,500 no abatement is made, and the tax is levied on the whole income at the rate applicable thereto.

RELIEFS.

In the respect of wife and dependent relatives, and in the respect of life insurance premiums, etc.: Relief from tax upon certain portions of his income is accorded each taxpayer to specified sums in the contingency that said taxpayer is supporting dependent or indigent relatives coming within the certain specified class. Relief from the normal tax is granted to the taxpayer on the amount of annual premiums for life insurance or deferred annuity on his own life or the life of his wife, but this allowance shall not reduce the income as estimated for purposes of exemption or abatement, neither shall it exceed one-sixth of the total income of 7 per cent of the capital sum insured, or \$500 in all.

EARNED INCOME RELIEF.

Where the income does not exceed \$12,500 and any part of that income is earned income, the following graduated rates instead of the normal tax are applicable to the earned income:

	Per cent.
When total earned income does not exceed \$2,500.....	11½
Income \$2,500 to \$5,000.....	15
Income \$5,000 to \$7,500.....	18½
Income \$7,500 to \$10,000.....	22½
Income \$10,000 to \$12,500.....	26½

UNEARNED INCOME RELIEF.

Where the income does not exceed \$10,000, the following graduated rates instead of the normal tax are applicable to the unearned income:

	Per cent.
Does not exceed \$2,500	15
From \$2,500 to \$5,000	18½
From \$5,000 to \$7,500	22½
From \$7,500 to \$10,000	26½

SPECIAL WAR PROVISION.

Reduced rates on pay of soldiers, sailors, etc.: The service pay of any person in the Army, Navy, Air Service, or Red Cross (if stationed abroad) is taxed as follows:

	Per cent.
Does not exceed \$1,500	3½
Exceeds \$1,500 but does not exceed \$2,500	6½
Exceeds \$2,500 but does not exceed \$5,000	8½
Exceeds \$5,000 but does not exceed \$7,500	11½
Exceeds \$7,500 but does not exceed \$10,000	13½
Exceeds \$10,000 but does not exceed \$12,500	16½
Exceeds \$12,500	17½

ABATEMENT IN CASE OF SOLDIERS, SAILORS, ETC.

If the total income does not exceed \$1,500 the prewar abatement of \$800 is granted.

SUPERTAX.

Incomes over \$12,500 are subject to a supertax according to the following graduated scale:

	Per cent.
First \$10,000	
Next \$2,500 (\$10,000 to \$12,500)	5
Next \$2,500 (\$12,500 to \$15,000)	7½
Next \$5,000 (\$15,000 to \$20,000)	10
Next \$5,000 (\$20,000 to \$25,000)	12½
Next \$5,000 (\$25,000 to \$30,000)	15
Next \$10,000 (\$30,000 to \$40,000)	17½
Next \$10,000 (\$40,000 to \$50,000)	20
Next \$10,000 (above \$50,000)	22½

EXCESS-PROFITS TAX.

Basis of tax: Excess of profits during war-trade years over prewar standards, prewar standard being the average of any two of the last three prewar-trade years selected by the taxpayer, except that it is not to be counted at less than 6 per cent (in the case of business not carried on by a company or corporation, 8 per cent) on the capital invested at the end of the last prewar-trade year. Allowance is made for increase in capital during a war-trade year at the rate of 9 per cent (in which case of noncorporate business, 11 per cent); for decrease in capital during a war-trade year, at the rate of 6 per cent (for noncorporate business, 7 per cent). If the average profits of the last three prewar years were 25 per cent or more lower than during the three previous years, any four of the six years may be taken as a basis for the prewar standard. In the case of new business the prewar standard is counted as 9 per cent of the capital invested (or for noncorporate business, 11 per cent).

EXEMPTIONS.

(1) Amount: \$1,000, increased by one-fifth of the amount by which the profits are less than \$10,000 if the prewar standard does not exceed \$2,500.

(2) Kinds of business: Agriculture, offices, profession, insolvent businesses in the hands of a liquidator.

Rate of tax, 80 per cent.

FRANCE.

Income tax imposed, 1918.

EXEMPTIONS.

Persons whose incomes do not exceed \$600, ambassadors and other foreign diplomatic agents, including consuls and consular agents of foreign countries, are exempted from the operations of the war-income tax, providing, in the case of ambassadors and consuls and consular agents, this exemption is granted on the condition that the countries said ambassadors and agents represent extend similar privileges to French diplomatic agents and consuls.

GENERAL INCOME TAX.

The tax shall be levied on the total amount of the annual income of every taxable person. Such net income shall be determined with due regard to the personal and real property of the taxpayer, the professions exercised by him, the wages, salaries, pensions, and life annuities enjoyed by him, and the profits derived from any gainful occupation in which he may be engaged, after deducting therefrom the certain exemptions and annuities herein specified.

Married persons are entitled to an abatement of \$400. In addition each taxable person shall be entitled to an abatement of \$200 for each dependent person upon him, not exceeding five. For each such dependent person after the fifth, \$300 shall be the abatement. Each taxable person shall be taxed only on such part of his income as exceeds, after making deductions and abatements, the sum of \$600. The tax shall be computed by adding together:

One-tenth of the portion of the taxable income included between \$600 and \$1,600.

Two-tenths of the portion of the taxable income included between \$1,600 and \$2,400.

Three-tenths of the portion of the taxable income included between \$2,400 and \$3,200.

Four-tenths of the portion of the taxable income included between \$3,200 and \$4,000.

Five-tenths of the portion of the taxable income included between \$4,000 and \$8,000.

Six-tenths of the portion of the taxable income included between \$8,000 and \$12,000.

Seven-tenths of the portion of the taxable income included between \$12,000 and \$16,000.

Eight-tenths of the portion of the taxable income included between \$16,000 and \$20,000.

Nine-tenths of the portion of the taxable income included between \$20,000 and \$30,000.

And the whole of the excess of income beyond this and applying to the figure so obtained the rate of 12½ per cent.

Further exemptions on the tax computed in accordance with the above provide that each taxpayer is entitled to a reduction of 5 per cent for one dependent, 10 per cent for two dependents, 20 per cent for

three dependents, and so on each dependent after the third entitles him to an additional reduction of 10 per cent, providing the total deductions do not exceed one-half of the tax.

TAXATION OF COMMERCIAL AND INDUSTRIAL PROFITS.

An annual tax is imposed on the profits from commercial and industrial undertakings realized during the preceding year or during the period of 12 months as to which the last return was made, when such period does not coincide with the calendar year.

For the purpose of computing such tax, that portion of the net profits of such business not exceeding \$300 shall be reckoned as one-quarter. From \$300 to \$1,000 as one-half; the excess beyond as a whole.

The rate of tax is fixed at 4½ per cent. Various specified occupations and enterprises of a commercial character are exempted from the operation of this tax, except in so far that their net profits exceed the sum of \$300.

SPECIAL TAX.

Independently of tax on profits derived from industrial and commercial undertakings as above imposed, a special tax is imposed on the amount of business transacted by undertakings having for their principal object the retail sale of provisions or goods, when the amount of such business exceeds \$200,000, not including exports to foreign countries, to Algiers, or to French colonies and protectorates. The said special tax is fixed in accordance with the following scale:

One-tenth of that portion of the amount of business between \$200,000 and \$400,000.

Two-tenths of that portion of the amount of business between \$400,000 and \$2,000,000.

Three-tenths of that portion of the amount of business between \$2,000,000 and \$20,000,000.

Four-tenths of that portion of the amount of business between \$20,000,000 and \$40,000,000.

Five-tenths of that portion of the amount of business over \$40,000,000.

Agricultural and cooperative organizations which limit themselves to the transaction of business for the profit of their immediate members are not within the operation of this special tax.

TAXES ON AGRICULTURAL PROFITS.

An annual tax is imposed upon the profits derived from agricultural undertakings. The profits derived from such agricultural undertakings are considered for the purpose of assessing the tax as equal to one-half the rental value of the land; when the actual rental value does not exceed \$2,400, the farm owners shall pay the tax only on such portion of the income as exceeds \$250. He shall be entitled to an abatement of two-thirds on the portion of the income between \$250 and \$400 and one-third on the portion between \$400 and \$600. The rate of tax is 3.75 per cent.

TAXATION OF SALARIES, WAGES, PENSIONS, ANNUITIES, ETC.

Pensions, life annuities, and so forth, are subject to tax levied on that portion of their yearly total which exceeds the following amounts:

Pensions and life annuities, \$250.

Salaries, allowances, fees, and wages, if the taxable person lives in a community of less than 10,001 inhabitants, \$300.

In a community of between 10,001 and 100,000 inhabitants, \$400.

In a community of more than 100,000 inhabitants, \$500.

In Paris and specified immediate vicinity, \$600.

Provided that in computing the tax only one-half of the portion of the taxable income included between the exempted minimum and the sum of \$1,000 shall be considered. The rate of the tax is fixed at 3.75 per cent.

TAXES ON PROFESSIONAL INCOMES.

The incomes from liberal professions and other nonmercantile offices and employments, as well as from all lucrative occupations and undertakings not liable to a special income tax, shall be subject to a tax levied annually upon the net income of the preceding year, consisting of the excess of total receipts over expenses incurred. The tax shall be levied only on that portion of the net profits in excess of the sum of \$300 when the person lives in a community of less than 10,001 inhabitants; \$400 if in a community of from 10,001 to 100,000, and \$500 if in a community over 100,000 inhabitants; \$600 if person lives in Paris and specified vicinity. Provided, however, that for the purpose of computing the tax, that portion of the net profits included between the exempted minimum and the sum of \$1,000 shall be divided in half. The tax rate is fixed at 3.75 per cent.

TAXATION OF INCOMES FROM TRANSFERABLE SECURITIES.

The rate of tax is 5 per cent.

TAXATION OF INCOMES FROM IMPROVED AND UNIMPROVED REAL ESTATE.

Rate of tax on unimproved real estate is 5 per cent on net income.

Rate of tax on improved real estate fixed at 4 per cent of net income.

EXCESS-PROFITS TAX.

Basis of tax: Excess of profits during war-trade years over prewar standard of profits, prewar standard being the average of the last three years prior to August 1, 1914, but not to be counted at less than \$1,000 nor less than 8 per cent on the capital invested.

EXEMPTIONS.

(1) Amount: In the case of mine owners and persons subject to the business-license tax, \$1,000; in the case of plants wrecked by the war or located in the invaded territory, 6 per cent of the capital invested; in the case of all who are subject to the tax, extra amounts necessary for depreciation.

(2) Kinds of business: All except those conducted by mine owners, persons subject to a business-license tax, and persons furnishing supplies to the Government.

Rate of tax—	Per cent.
On the portion of the taxable profits below \$20,000	50
On the portion of the taxable profits between \$20,000 and \$50,000	60
On the portion of the taxable profits between \$50,000 and \$100,000	70
On the portion of taxable profits exceeding \$100,000	80

ITALY.

EXCESS-PROFITS TAX.

Basis of tax: New profits or excess of profits during war-trade years over the average of the amounts ascertained for personal property tax for the years 1913 and 1914, but this average is not to be counted as less than 8 per cent of the capital invested.

EXEMPTIONS.

(1) Amount, \$500 or less; in the case of commission agents, 10 per cent increase in income or less. (2) Kind of business: (a) The tax is imposed only on merchants and manufacturers and on commission agents; (b) those helping to advance the Italian mercantile marine enjoy a qualified exemption.

Rates of tax—	Per cent.
(1) For merchants and manufacturers:	
On fraction of profits from 8 to 10 per cent on capital invested.....	20
On fraction of profits from 10 to 15 per cent on capital invested.....	30
On fraction of profits from 15 to 20 per cent on capital invested.....	40
On fraction of profits from 20 per cent on capital invested.....	60
(2) For commission agents:	
On excess over 10 per cent up to 50 per cent of pre-war profits.....	10
On excess over 50 per cent up to 100 per cent of pre-war profits.....	15
On excess over 100 per cent up to 200 per cent of pre-war profits.....	20
On excess over 200 per cent up to 300 per cent of pre-war profits.....	25
On excess over 300 per cent of pre-war profits.....	40

GERMANY.

PROPERTY INCREASE TAX.

Basis of tax: Any increase in the total value of the property of individuals between January 1, 1914, and December 31, 1916, excluding all increases due to transfer of property at death.

EXEMPTIONS.

(1) Any increase of not more than 3,000 marks (\$750); (2) any increase where the total amount of the increased value of the property is not more than 10,000 marks (\$2,500); (3) that portion of any increase equal to the difference between the original capital and 10,000 marks (\$2,500) whenever the total amount of the increased capital is not more than 15,000 marks (\$3,750).

	Tax.	Surtax.
Rate of tax:	Per cent	Per cent
On the first \$2,500.....	5	1
On the next \$2,500 or fraction thereof.....	10	2
On the next \$2,500 or fraction thereof.....	15	3
On the next \$5,000 or fraction thereof.....	20	4
On the next \$12,500 or fraction thereof.....	25	5
On the next \$25,000 or fraction thereof.....	30	6
On the next \$50,000 or fraction thereof.....	35	7
On the next \$75,000 or fraction thereof.....	40	8
On the next \$75,000 or fraction thereof.....	45	9
On any further amount.....	50	10

If the increased capital of a taxable individual does not exceed \$25,000 he receives an abatement.

If he has three children under 18, of one-fourth the amount of the surtax.

If he has four children under 18, of one-half the amount of the surtax.

If he has five children under 18, of three-fourths the amount of the surtax.

If he has more than five children under 18, the whole of the surtax.

EXCESS-PROFITS TAX (BUSINESS COMPANIES).

Basis of tax: Excess of profits of domestic and foreign companies during war trade years over prewar standards of profits; prewar standard being the average of those three of the last five prewar years arrived at by excluding the year with the largest and the year with the smallest profits, if company has existed for five years, except that it is not to be counted as less than 6 per cent on the paid-up original capital stock.

Exemptions, 5,000 marks.

Rate of tax—A. Domestic companies:

Rate of tax on excess profits.

If ratio of average annual excess profits to capital stock and reserve amounts to—	Per cent.
Not more than 2 per cent.....	10
More than 2 per cent, but not more than 5 per cent.....	15
More than 5 per cent, but not more than 10 per cent.....	20
More than 10 per cent, but not more than 15 per cent.....	25
More than 15 per cent.....	30

Rate of surtax percentage of principal tax.

If ratio of average annual total profits during war-trade years to capital stock and reserve amounts to—	Per cent.
More than 8 per cent, but not more than 10 per cent.....	10
More than 10 per cent, but not more than 15 per cent.....	20
More than 15 per cent, but not more than 20 per cent.....	30
More than 20 per cent, but not more than 25 per cent.....	40
More than 25 per cent.....	50

B. Foreign companies:

Rate of tax on profits.

If excess profits amount to—	Per cent.
Not more than \$5,000.....	10
More than \$5,000, but not more than \$10,000.....	12
More than \$10,000, but not more than \$15,000.....	14
More than \$15,000, but not more than \$20,000.....	16
More than \$20,000, but not more than \$25,000.....	18
More than \$25,000, but not more than \$30,000.....	20
More than \$30,000, but not more than \$35,000.....	22
More than \$35,000, but not more than \$40,000.....	24
More than \$40,000, but not more than \$45,000.....	26
More than \$45,000, but not more than \$50,000.....	28
More than \$50,000, but not more than \$62,500.....	30
More than \$62,500, but not more than \$125,000.....	40
More than \$125,000.....	45

Rate of tax on domestic and foreign companies proposed in place of above rates by the budget bill 1918-19 (Board of Trade Journal, May 23, 1918, p. 654):

If excess profits amount to—	Or (in the case of German companies whose excess profits do not exceed \$25,000) if the ratio of total profits to capital stock and reserve amounts to—	Per cent.
Less than \$12,500.....	Less than 8 per cent.....	30
Less than \$25,000.....	Less than 10 per cent.....	36
Less than \$50,000.....	Less than 15 per cent.....	42
Less than \$75,000.....	Less than 20 per cent.....	48
Less than \$125,000.....	Less than 25 per cent.....	54
\$125,000 or more.....	25 per cent or more.....	60

The PRESIDING OFFICER. The question is on the amendment of the committee.

Mr. PENROSE. Let us have the question stated, Mr. President.

The PRESIDING OFFICER. The Secretary will state the amendment.

Mr. SIMMONS. Mr. President, I make the point of no quorum.

The PRESIDING OFFICER. The Senator from North Carolina suggests the absence of a quorum, and the Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Henderson	Martin, Ky.	Simmons
Bankhead	Hitchcock	Martin, Va.	Smith, Ariz.
Beckham	Johnson, Cal.	Moses	Smith, Ga.
Borah	Johnson, S. Dak.	Myers	Smoot
Culberson	Jones, N. Mex.	Nelson	Spencer
Curtis	Jones, Wash.	New	Sterling
Dillingham	Kellogg	Norris	Sutherland
Fernald	Kendrick	Nugent	Swanson
Fletcher	Kenyon	Overman	Thomas
France	Kirby	Page	Townsend
Frelinghuysen	Knox	Penrose	Trammell
Gay	La Follette	Polindexter	Underwood
Gerry	Lenroot	Pollock	Vardaman
Gore	McCumber	Pomerene	Walsh
Gronna	McKellar	Saulsbury	Warren
Hale	McLean	Shafroth	Weeks
Harding	McNary	Sheppard	Wolcott

Mr. McKELLAR. I desire to announce the absence of my colleague, the senior Senator from Tennessee [Mr. SHIELDS], on account of illness.

The PRESIDENT pro tempore. Sixty-eight Senators have answered to their names. There is a quorum present. The question is on the amendment of the committee, which will be stated.

The SECRETARY. On page 11, after line 2, the committee proposes to strike out paragraphs (a) and (b), as follows:

(a) In the case of a citizen or resident of the United States 12 per cent of the amount of the net income in excess of the credits provided in section 216: *Provided*, That upon the first \$4,000 of this amount the rate shall be 6 per cent.

(b) In the case of a nonresident alien, 12 per cent of the amount of the net income in excess of the credits provided in section 216.

And in lieu thereof to insert:

(a) For the calendar year 1918, 12 per cent of the amount of the net income in excess of the credits provided in section 215: *Provided*, That in the case of a citizen or resident of the United States the rate upon the first \$4,000 of such amount shall be 6 per cent.

(b) For each calendar year thereafter, 8 per cent of the amount of the net income in excess of the credits provided in section 216: *Provided*, That in the case of a citizen or resident of the United States the rate upon the first \$4,000 of such amount shall be 4 per cent.

Mr. SMOOT. Mr. President, I should like very well if we could vote upon subdivision (a) first, and then vote on subdivision (b) thereafter. I will ask the Senator from North Carolina if it would not be better to vote upon the whole question of the 1920 taxes at once in order to save the time of the Senate?

Mr. SIMMONS. I do not see how we can do that.

Mr. SMITH of Georgia. We may vote on one of them.

The PRESIDENT pro tempore. Does the Senator from Utah ask for a division of the question?

Mr. SMOOT. Yes; I should like to divide the question by first voting on subdivision (a) and then voting on subdivision (b).

The PRESIDENT pro tempore. This being a motion to strike out and insert, the Chair does not think that can be done.

Mr. SMOOT. I was afraid it would not be in order, but simply asked the question as to whether or not it would be allowed.

The PRESIDENT pro tempore. The Chair thinks not.

Mr. McCUMBER. Mr. President, I wish to ask if it would not be perfectly proper to move to amend the Senate committee amendment by striking out subdivision (b)?

Mr. SIMMONS. That would be the best way to reach it. The PRESIDENT pro tempore. The Chair thinks that would be a proper amendment.

Mr. McCUMBER. I move to amend the amendment of the committee by striking out paragraph (b) commencing on line 15. The PRESIDENT pro tempore. The matter proposed to be stricken out by the Senator from North Dakota will be stated.

The SECRETARY. On page 11, it is proposed to strike out paragraph (b) of the committee amendment, as follows:

(b) For each calendar year thereafter, 8 per cent of the amount of the net income in excess of the credits provided in section 216: *Provided*, That in the case of a citizen or resident of the United States the rate upon the first \$4,000 of such amount shall be 4 per cent.

The PRESIDENT pro tempore. The question is on agreeing to the amendment to the amendment.

Mr. SIMMONS. Mr. President, those who are in favor of the committee amendment will vote "nay," and those opposed to it will vote "yea."

The PRESIDENT pro tempore. The Senator from North Carolina has correctly stated the proposition.

Mr. SMOOT and Mr. TOWNSEND called for the yeas and nays, and they were ordered.

The Secretary proceeded to call the roll.

Mr. CURTIS (when his name was called). I transfer my pair with the junior Senator from Georgia [Mr. HARDWICK] to the junior Senator from New York [Mr. CALDER], and vote "yea."

Mr. DILLINGHAM (when his name was called). I have a general pair with the senior Senator from Maryland [Mr. SMITH], who is absent. Therefore I will withhold my vote. If permitted to vote, I should vote "yea."

Mr. FRELINGHUYSEN (when his name was called). I have a general pair with the junior Senator from Montana [Mr. WALSH]. He has released me on this and all other votes on this bill. Therefore I vote "yea."

Mr. GERRY (when his name was called). I have a general pair with the junior Senator from New York [Mr. CALDER]. I transfer that pair to the Senator from Georgia [Mr. HARDWICK], and vote "nay."

Mr. JONES of Washington (when his name was called). As I announced awhile ago, I have a pair with the senior Senator from Louisiana [Mr. RANDELL]. If permitted to vote, I should vote "yea."

Mr. KENDRICK (when his name was called). I transfer my pair with the Senator from New Mexico [Mr. FALL] to the Senator from Illinois [Mr. LEWIS], and vote "nay."

Mr. KNOX (when his name was called). I have a pair with the senior Senator from Oregon [Mr. CHAMBERLAIN]. I ask if he has voted?

The PRESIDENT pro tempore. He has not voted.

Mr. KNOX. Then I will withhold my vote.

Mr. PENROSE (when his name was called). I have a general pair with the senior Senator from Mississippi [Mr. WILLIAMS], which I transfer to the junior Senator from New Jersey [Mr. BAIRD], and will vote. I vote "yea."

The PRESIDENT pro tempore (when Mr. SAULSBURY's name was called). On this particular question my general pair with the senior Senator from Rhode Island [Mr. COLT] is binding. If present he would vote "yea" and I should vote "nay."

Mr. STERLING (when his name was called). I have a general pair with the Senator from South Carolina [Mr. SMITH], and therefore withhold my vote. If at liberty to vote, I should vote "yea."

Mr. TOWNSEND (when his name was called). I have a pair with the senior Senator from Arkansas [Mr. ROBINSON]. If he were present he would vote "nay" and I should vote "yea."

Mr. WOLCOTT (when his name was called). I have a general pair with the senior Senator from Indiana [Mr. WATSON]. In his absence I withhold my vote. If at liberty to vote, I should vote "nay."

The roll call was concluded.

Mr. STERLING. I transfer my pair with the Senator from South Carolina [Mr. SMITH] to the Senator from Iowa [Mr. CUMMINS] and will vote. I vote "yea."

Mr. CURTIS. I desire to announce the absence of the Senator from Illinois [Mr. SHERMAN] on account of illness in his family. He is paired with the Senator from Kansas [Mr. THOMPSON]. If the Senator from Illinois were present, he would vote "yea."

Mr. FRELINGHUYSEN. I desire to announce the unavoidable absence of my colleague [Mr. BAIRD] on account of illness. If present, he would vote "yea."

Mr. KNOX. I transfer my pair with the Senator from Oregon [Mr. CHAMBERLAIN] to the senior Senator from Michigan [Mr. SMITH] and vote "yea."

Mr. McKELLAR. The senior Senator from Tennessee [Mr. SHIELDS] is detained from the Senate on account of illness. If he were present, he would vote "nay." He is paired with the senior Senator from Connecticut [Mr. BRANDEGEE].

Mr. REED. In view of the transfer arrangement just announced by the Senator from Pennsylvania [Mr. KNOX], I am at liberty to vote, and vote "nay."

Mr. GAY. The senior Senator from Louisiana [Mr. RANDELL] is detained on official business. If present, he would vote "nay."

Mr. CURTIS. I have been requested to announce the following pairs:

The Senator from West Virginia [Mr. GOFF] with the Senator from Oklahoma [Mr. OWEN];

The Senator from New York [Mr. WADSWORTH] with the Senator from New Hampshire [Mr. HOLLIS]; and

The Senator from Connecticut [Mr. BRANDEGEE] with the Senator from Tennessee [Mr. SHIELDS].

The result was announced—yeas 31, nays 37, as follows:

YEAS—31.

Borah	Johnson, Cal.	McLean	Poindexter
Curtis	Kellogg	McNary	Smoot
Fernald	Kenyon	Moses	Spencer
France	Knox	Nelson	Sterling
Frelinghuysen	La Follette	New	Sutherland
Gronna	Lenroot	Norris	Warren
Hale	Lodge	Page	Weeks
Harding	McCumber	Penrose	

NAYS—37.

Ashurst	Johnson, S. Dak.	Overman	Smith, Ga.
Bankhead	Jones, N. Mex.	Phelan	Swanson
Beckham	Kendrick	Pittman	Thomas
Culberson	King	Pollock	Trammell
Fletcher	Kirby	Pomerene	Underwood
Gay	McKellar	Reed	Vardaman
Gerry	Martin, Ky.	Shafroth	Walsh
Gore	Martin, Va.	Sheppard	
Henderson	Myers	Simmons	
Hitchcock	Nugent	Smith, Ariz.	

NOT VOTING—28.

Baird	Fall	Ransdell	Smith, S. C.
Brandegge	Goff	Robinson	Thompson
Calder	Hardwick	Saulsbury	Townsend
Chamberlain	Hollis	Sherman	Wadsworth
Colt	Jones, Wash.	Shields	Watson
Cummins	Lewis	Smith, Md.	Williams
Dillingham	Owen	Smith, Mich.	Wolcott

So Mr. McCUMBER's amendment to the amendment of the committee was rejected.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the committee as amended.

The amendment as amended was agreed to.

Mr. SIMMONS. Mr. President, I ask that the Secretary may now read the next amendment involving the 1920 provision.

The PRESIDENT pro tempore. Will the Senator direct the Secretary's attention to the page and line?

Mr. SIMMONS. I shall have to go through the bill very carefully in order to do that.

Mr. SMOOT. The amendment is on page 49, Mr. President.

The SECRETARY. The amendment on page 49 begins on page 47, line 23, where the committee proposes to strike out paragraph (a), paragraph (b), and everything down to and including line 24 on page 48, and to insert:

(1) For the calendar year 1918, 12 per cent of the amount of the net income in excess of the credits provided in section 236; and

(2) For each calendar year thereafter, 8 per cent of such amount.

(b) For the purposes of the act approved March 21, 1918, entitled "An act to provide for the operation of transportation systems while under Federal control, for the just compensation of their owners and for other purposes," five-sixths of the tax imposed by paragraph (1) of subdivision (a) and three-fourths of the tax imposed by paragraph (2) of subdivision (a) shall be treated as levied by an act in amendment of Title I of the revenue act of 1917.

Mr. PENROSE. In order to bring the question before the Senate, I move to strike out paragraph 2.

Mr. SIMMONS. Mr. President, I will ask the Senator from Pennsylvania if he thinks it is necessary to have a yea-and-nay vote on all these amendments?

Mr. PENROSE. No; I do not.

The PRESIDENT pro tempore. The Senator from Pennsylvania proposes an amendment to the committee amendment, which will be stated.

The SECRETARY. It is proposed to strike out paragraph 2, or the following, on page 49, line 4:

(2) For each calendar year thereafter, 8 per cent of such amount.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from Pennsylvania to the amendment of the committee.

The amendment to the amendment was rejected.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

The amendment of the committee was agreed to.

Mr. SMOOT. The next amendment is on page 84.

The SECRETARY. On page 84, in the third bracket, the committee amendment is to strike out and insert; but all of the amendment has been agreed to except subdivision (b), on page 84, which reads as follows:

(b) For the taxable year 1919 and each taxable year thereafter there shall be levied, collected, and paid upon the net income of every corporation a tax equal to the sum of the following.

Mr. PENROSE. Mr. President, I move to strike out paragraph (b).

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from Pennsylvania to the amendment of the committee.

The amendment to the amendment was rejected.

The PRESIDENT pro tempore. The question now is on agreeing to the amendment of the committee.

Mr. JONES of New Mexico. Mr. President, I should like to have the Secretary state the amendment which I offered on yesterday to paragraph (b), the paragraph which has just been read. I will state that quite a number of Senators are present to-day who were not here on yesterday when I discussed this proposed amendment.

Mr. SIMMONS. Mr. President, will the Senator permit an inquiry?

Mr. JONES of New Mexico. I yield to the Senator from North Carolina.

Mr. SIMMONS. I was simply going to suggest to the Senator that we have just rejected an amendment to the amendment of the committee. Now, the Senator is going to propose a substitute, as I understand.

Mr. JONES of New Mexico. Not at all. My amendment is an amendment to the committee amendment. It begins on line 21, page 84; and I will state just what the amendment is. On page 84, line 21, I move to strike out, after the word "to," through line 3 on page 85. By the way, the amendment as printed has the word "or" in it instead of "on." I ask leave to make that amendment in the amendment.

The PRESIDENT pro tempore. The Senator has that right.

Mr. JONES of New Mexico. On pages 84 and 85, I move to strike out the matter just indicated and to insert in lieu thereof the following:

Seventy per cent on the amount of the net income in excess of the war-profits credit as determined under section 313.

The Senators will observe that the provision, as reported by the committee, simply takes the exemption of the present bill as applied to the year 1918 and reduces the percentage of the tax upon that exemption. The war-profits tax for the year 1919 has been eliminated from the bill by the committee under its proposed amendment, so as to leave in the bill for the calendar year 1919 the excess-profits tax. That excess-profits provision simply provides for an exemption of 8 per cent upon the invested capital, as defined in the bill. It gives precisely the same exemption from the excess-profits tax to one concern in the country as it does to all. It makes no distinction between the safe and stable businesses of the country and the hazardous businesses of the country. It carries only this language, "an exemption of 8 per cent upon the invested capital." As I stated on yesterday, if this provision is adopted, it will be an absolute embargo upon any new enterprises of a hazardous nature. It will prevent the development and progress of the country; and at this time, when we are facing the reconstruction period, instead of deterring business we ought to encourage it.

The Secretary of the Treasury has recommended to the committee that we levy no excess-profits tax for next year. I am not willing to go quite to that extent; but I do believe that there is a happy compromise which can be very well substituted, and take a middle ground between the recommendations of the Secretary of the Treasury and the recommendations of the Finance Committee, and I believe it to be absolutely fair. It will raise precisely the same amount of revenue for the Treasury. It will not discourage any business in this country. It will give to all the businesses in this country for the next calendar year precisely the same exemption, equal to the same profits which all the enterprises of the country made prior to the war.

It exempts from any excess-profits tax the profits which the businesses of this country were making prior to the war, but not in excess of 20 per cent on the invested capital. If we do that, it means that we can raise as much revenue as is proposed to be raised by this committee amendment. If we can do it in a way which will not injure any business, why should it not be done?

Therefore I offer this provision as an amendment to the committee amendment. I sincerely trust that Senators will consider it seriously. This amendment of mine will not discourage any enterprise. The country was prosperous before the war. This amendment permits the same degree of prosperity after the war.

Mr. SHAFROTH. Mr. President—

The PRESIDENT pro tempore. Does the Senator from New Mexico yield to the Senator from Colorado?

Mr. JONES of New Mexico. I do.

Mr. SHAFROTH. I should like to ask the Senator what effect this is going to have upon the mining industries of the West, the development of new mines?

Mr. JONES of New Mexico. I will state to the Senator from Colorado that I do not believe there will be a dollar going into a new mining industry in this country during the year 1919 if this committee amendment is adopted; but if you adopt my amendment, it will allow to the mining industry and to the new mining industry the same percentage of exemption from an excess-profits tax which the representative concerns of the country earned prior to the war; and if they developed mining industries prior to the war, under this amendment of mine they will do it again. But if you adopt the amendment proposed by the Senate committee and allow to a mining industry an exemption of only 8 per cent upon its invested capital, and tax its earnings above that amount, you will not get another dollar into the mines of the country. You will not get another dollar into the stock interests of the country. You will not get a dollar into any new industry, any untried industry; but you will have plenty of dollars for the old, stable industries of the country. You will have dollars to go into the preferred stocks of the country, but you will destroy any incentive, any initiative, for capital to go into a new concern or develop a new enterprise. So I say to the Senators, you are assuming a great responsibility in supporting the amendment proposed by the committee.

The Secretary of the Treasury said to us that, in his opinion and in the opinion of the President, we ought to put no excess-profits tax on business after the war; but there is a sentiment in the country that there ought to be some sort of a tax on high profits, and in my amendment I put the tax on profits above 20 per cent, whether earned before the war or after. That, however, is the only limitation. As between 6 per cent and 20 per cent, all classes of business may earn and hold, exempt from this tax, precisely the same amount of earnings that they made before the war. The country was prosperous then. We have reason to believe that if they are permitted to go on in that way the country will be prosperous after the war; but, I beg of you, do not put this tax on the business of the country, which would be an absolute burden upon any business of a hazardous nature. It gives an absolute exemption to all of the old, steady, heavily capitalized industries of the country. They will not pay any tax under this committee provision, but the new industries, the hazardous industries, will bear the entire burden; and it is those industries that you want to encourage instead of destroying them.

Therefore I propose this amendment.

Mr. SIMMONS. Mr. President, if the Senator is right in the statement he makes that the excess-profits tax will allow a heavy profit to be made by the old industries of the country and will not tax them adequately as to the provisions of the 1920 section of the bill, then the excess-profits tax that we have imposed in the bill for 1918 will have the same effect.

Mr. President, if there was anything that was thoroughly worked out in a spirit of generosity toward the industry concerned, it was the sections of the bill that apply to mines and mining and timberlands and gas wells, and all that sort of thing. There were on the committee three or four members who represented States in which those industries constitute a large part of the business of the people. They asked and demanded various and sundry relief provisions. We granted to them substantially everything that they asked us to grant them. We provided, in the case of a mine, that if there was a sale it should pay a tax of not more than 20 per cent upon the sale price. We provided an amortization provision for mines that were operated, which allowed them to amortize to the full extent of the original cost of the mine and its development.

This question was thoroughly thrashed out in the committee. The Senator from New Mexico presented his views there as fully as he has presented them here to-day and on yesterday, and the committee decided against his contention. If the amendment of the Senator should be adopted, we would have to rewrite many of the most important sections of this bill.

Mr. JONES of New Mexico. Mr. President—

Mr. SIMMONS. It would have to go back to the committee in order that we might adjust the other sections of the bill to the changes made here.

Mr. JONES of New Mexico. Mr. President—

The PRESIDENT pro tempore. Does the Senator from North Carolina yield to the Senator from New Mexico?

Mr. SIMMONS. I do.

Mr. JONES of New Mexico. I ask the Senator to state any important provision of this bill which would have to be changed if this amendment were adopted.

Mr. SIMMONS. Rather than undertake to go into that argument, I would prefer to withdraw the statement. That is my judgment about it—that we would have to consider very seriously the effect of this change upon the other sections of the bill. Especially, Mr. President, we would have to consider very seriously its effect upon the revenues of the Government.

Mr. JONES of New Mexico. I will simply state, if the Senator will permit me, two facts: First, my amendment relates only to the excess-profits tax for the year 1919, and no other important provision of the bill will have to be amended at all. Secondly, the experts of the Treasury say that the amendment which I propose will produce precisely the same amount of revenue as the scheme proposed by the committee.

Mr. SIMMONS. Mr. President, the Senator's amendment is in effect a war excess-profits tax. It proposes to substitute for the excess-profits tax proposed by the committee for 1920, with the low rates of 20 and 40 per cent, a war-profits tax of 70 per cent, with an exemption as high as 20 per cent. So, when you go to analyze it, the proposition means nothing more than to substitute for a low excess-profits tax a war-profits tax with a high exemption and a high rate.

Mr. JONES of New Mexico. Mr. President, I want to say just a word in reply to what the Senator from North Carolina has said.

His scheme makes a low exemption, or reduces the exemption, and imposes a low tax. My scheme makes a high exemption and imposes a high rate of tax; but my scheme has the exemption balanced by the experience of the business prior to the war. He talks about this being called a war-profits tax. It is that, and the war is still here; and the purpose of this amendment is to catch the hang-over profits from the war and to help pay the war debt.

The Senator speaks about the remedial provisions of the bill with reference to amortization and the limitation of the tax upon sales in the case of mines. That is true. They are the most important provisions in the bill. Those provisions simply seek to put that particular class of business upon the same plane as other business, which is not done in the existing law. It is only intended to equalize the mining business with other business in that respect.

It comes down to the question of an excess-profits tax. Are you going to put the same rate of tax upon the earnings of a mining company after allowing it 8 per cent exemption that you are going to put on the Chemical National Bank after allowing it 8 per cent? The Chemical National Bank never earned 8 per cent and never tried to do so on its invested capital and accumulated surplus. Take the other stabilized industries of this country, which have their preferred stocks outstanding at a low rate of dividends; take any of those old, safe investments, and they do not expect to earn much over 8 per cent. Therefore they pay none of this excess-profits tax; but with that 8 per cent exemption you are putting that excess-profits tax upon the brain and energy of this country where a new business is started in this country, depending upon brains to build up the business in order that the new business may compete with the old, stabilized concerns which are highly capitalized through the building up of surplus during past years, through watered stock, and that sort of thing. They are highly capitalized, and do not expect to make a high percentage of income upon their capital. Are you going to encourage the new and vigorous rising competitors, that they may grow and increase their business and develop the country?

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from New Mexico [Mr. JONES] to the amendment.

Mr. JONES of New Mexico. I ask for the yeas and nays.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. GERRY (when his name was called). I have a general pair with the senior Senator from New York [Mr. CALDER]. I transfer that pair to the Senator from Texas [Mr. CULBERSON] and vote "nay."

Mr. JONES of Washington (when his name was called). Making the same announcement of my pair with the senior Senator from Louisiana [Mr. RANSDELL], I withhold my vote.

Mr. KENDRICK (when his name was called). I transfer my pair with the Senator from New Mexico [Mr. FALL] to the Senator from Illinois [Mr. LEWIS] and vote "yea."

Mr. KNOX (when his name was called). I have a general pair with the Senator from Oregon [Mr. CHAMBERLAIN] and withhold my vote.

The PRESIDENT pro tempore (when Mr. SAULSBURY's name was called). My general pair with the senior Senator from Rhode Island [Mr. COLT] does not apply to this vote. I therefore vote. I vote "nay."

Mr. STERLING (when his name was called). Again announcing my pair with the Senator from South Carolina [Mr. SMITH], I withhold my vote.

Mr. TOWNSEND (when his name was called). Announcing my pair with the senior Senator from Arkansas [Mr. ROBINSON], I withhold my vote.

The roll call was concluded.

Mr. CURTIS. I am advised that the junior Senator from Georgia [Mr. HARDWICK], with whom I have a general pair, will vote the same way I intend to vote. I will therefore vote. I vote "nay."

Mr. WOLCOTT. I transfer my general pair with the Senator from Indiana [Mr. WATSON] to the Senator from Montana [Mr. WALSH] and vote "nay."

Mr. MYERS. I have a pair with the Senator from Connecticut [Mr. McLEAN], who has not voted. I transfer that pair to the Senator from Georgia [Mr. HARDWICK] and vote "yea."

Mr. CURTIS. I have been requested to announce the following pairs:

The Senator from West Virginia [Mr. GOFF] with the Senator from Oklahoma [Mr. OWEN];

The Senator from Illinois [Mr. SHERMAN] with the Senator from Kansas [Mr. THOMPSON];

The Senator from New York [Mr. WADSWORTH] with the Senator from New Hampshire [Mr. HOLLIS]; and

The Senator from Michigan [Mr. SMITH] with the Senator from Missouri [Mr. REED].

The result was announced—yeas 15, nays 44, as follows:

YEAS—15.

Ashurst	Johnson, S. Dak.	McNary	Shafroth
Fletcher	Jones, N. Mex.	Myers	Sheppard
Henderson	Kendrick	Phelan	Thomas
Johnson, Cal.	King	Pittman	

NAYS—44.

Bankhead	Kellogg	Nelson	Smith, Ga.
Beckham	Kenyon	New	Smoot
Curtis	Kirby	Nugent	Spencer
France	La Follette	Overman	Sutherland
Frelinghuysen	Lenroot	Page	Swanson
Gay	Lodge	Penrose	Trammell
Gerry	McCumber	Polindexter	Underwood
Gronna	McKellar	Pollock	Vardaman
Hale	Martin, Ky.	Pomerene	Warren
Harding	Martin, Va.	Saulsbury	Weeks
Hitchcock	Moses	Simmons	Wolcott

NOT VOTING—37.

Baird	Fernald	Owen	Sterling
Borah	Goff	Ransdell	Thompson
Brandegge	Gore	Reed	Townsend
Calder	Hardwick	Robinson	Wadsworth
Chamberlain	Hollis	Sherman	Walsh
Colt	Jones, Wash.	Shields	Williams
Culberson	Knox	Smith, Ariz.	
Cummins	Lewis	Smith, Md.	
Dillingham	McLean	Smith, Mich.	
Fall	Norris	Smith, S. C.	

So the amendment of Mr. JONES of New Mexico to the amendment was rejected.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the committee.

The amendment was agreed to.

The PRESIDENT pro tempore. The next amendment passed over will be stated.

The SECRETARY. On page 85—

Mr. SMOOT. I ask the Secretary if, on page 67, subdivision (b), paragraph 2 was passed over? It is on the same subject, but it is not marked in my copy of the bill as having been passed over. I refer to lines 16 and 17, on that page.

The PRESIDENT pro tempore. The Chair is informed that it was agreed to.

Mr. SMOOT. It is on the same subject matter. The next amendment passed over is on page 85.

The PRESIDENT pro tempore. The Secretary will state the next amendment passed over.

The SECRETARY. On page 85 the committee proposes, in line 16, after the word "That," at the beginning of section 302, to strike out all down to and including the numerals "\$50,000," in line 25, and to insert—

Mr. SMOOT. It has been read once.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the committee.

The amendment was agreed to.

Mr. SMOOT. Page 105 is the next.

The SECRETARY. On page 105, section 335 was passed over. In line 7, after the words "sum of" and the colon, the committee proposes to strike out the remainder of the paragraph, all down to and including the word "income," in line 16, and to insert—

Mr. SMOOT. That has been read.

The PRESIDENT pro tempore. It has already been read. The question is on agreeing to the amendment of the committee. The amendment was agreed to.

The SECRETARY. On page 107, at the foot of the page, Title IV—Estate tax—

Mr. SIMMONS. I am advised, although I have not had time to verify it, that the sections relating to the deduction of taxes for 1919 and 1920 have now been acted on.

The PRESIDENT pro tempore. Everything has been disposed of down to "Estate tax," on page 107.

Mr. SIMMONS. Mr. President, I am exceedingly anxious, and I think everyone else is, to have the bill finally put upon its passage on Monday. In order to do that, it will be necessary for us to meet very early on Monday, and we may have to hold a night session.

I move that the Senate take a recess until 10 o'clock on Monday.

The motion was agreed to; and (at 5 o'clock and 10 minutes p. m.) the Senate took a recess until Monday, December 23, 1918, at 10 o'clock a. m.

HOUSE OF REPRESENTATIVES.

SATURDAY, December 21, 1918.

The House met at 12 o'clock noon.

The Rev. Earle Willey, of the Vermont Avenue Christian Church, Washington, D. C., offered the following prayer:

Heavenly Father, we ask Thee to accept our thanksgiving for what of gladness may fill our hearts this morning. We thank Thee for the approach to the holiday season, and as we come to this time of the year when we are thinking of those dear to us may we also think in kindness and love of all the suffering and needy ones of earth. O Lord, temper our thinking, our speaking, and our doing with the spirit of this holiday season. God, grant Thy blessing, therefore, upon to-day's doings, upon those things that enter into our lives, and upon us as we strive to do Thy will. For Thy Name's sake. Amen.

The Journal of the proceedings of Thursday, December 19, 1918, was read and approved.

RIVER AND HARBOR APPROPRIATION BILL.

Mr. SMALL. Mr. Speaker, by direction of the Committee on Rivers and Harbors I report herewith the river and harbor appropriation bill, with the report (No. 878) of the committee. I understand that the gentleman from Wisconsin [Mr. FREAR] desires to file a minority report. Is he present?

Mr. FREAR. That is correct.

Mr. SMALL. The gentleman has that report now?

Mr. FREAR. Yes.

Mr. SMALL. And that the minority report of the gentleman from Wisconsin be also filed.

The SPEAKER. The gentleman from North Carolina [Mr. SMALL], by direction of the Committee on Rivers and Harbors, files the river and harbor appropriation bill, together with the report of the majority and the minority report filed by the gentleman from Wisconsin [Mr. FREAR].

Mr. ROBBINS. Mr. Speaker, I reserve all points of order on the bill.

Mr. FREAR. Mr. Speaker, I reserve all points of order on the bill.

The SPEAKER. The gentleman from Wisconsin and the gentleman from Pennsylvania reserve all points of order on the bill.

Mr. MANN. Has the bill been reported?

The SPEAKER. The Clerk will report the bill by title.

The Clerk read as follows:

H. R. 13462. A bill making appropriations for the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes.

The SPEAKER. The bill, with the accompanying report, is ordered printed and referred to the Committee of the Whole House on the state of the Union.

ORDER OF BUSINESS.

Mr. LONGWORTH. Mr. Speaker, may I ask the gentleman what his intention is with regard to the consideration of the river and harbor appropriation bill?

Mr. SMALL. It is the present intention to call up the bill on Monday. There may be some short bills which by agreement may precede the consideration of the river and harbor appropriation bill.

Mr. LONGWORTH. But the gentleman does not intend to proceed any further than general debate until after the holiday recess?

Mr. SMALL. Can the gentleman tell whether we will be in session on Tuesday or not?

Mr. LONGWORTH. I think the gentleman from North Carolina [Mr. KITCHIN] may be able to give us some information about that.

Mr. KITCHIN. Mr. Speaker, I have stated to the House twice that our intention is to work on Monday and Tuesday, and when we adjourn on Tuesday to adjourn over until Friday, with the understanding that we will adjourn from Friday until the following Monday; that nothing will be done from Tuesday until Monday.

Mr. LONGWORTH. The purpose of my question is to ascertain whether it is expected there will be a vote on the river and harbor bill on Tuesday.

Mr. KITCHIN. Oh, no. I do not think it possible to conclude more than general debate for the recess.

Mr. FREAR. Mr. Speaker, I do not think there will be any objection to the general debate, but it seems to me we ought not to read the items and attempt to discuss them unless a reasonably full House is present.

The SPEAKER. The Chair understood the gentleman from North Carolina [Mr. SMALL] to include in his statement the request for printing the minority report of the gentleman from Wisconsin [Mr. FREAR].

Mr. SMALL. That is correct.

Mr. MANN. Mr. Speaker, will the gentleman from North Carolina yield?

Mr. KITCHIN. Yes.

Mr. MANN. Does the gentleman think there is any probability of proceeding with business in the House before New Year's Day?

Mr. KITCHIN. I doubt very much whether we will have a sufficient number here to proceed very seriously, but that will take care of itself when we adjourn next week.

Mr. MANN. The question is really whether we shall punish some of the Members who may stay here for the reason that they want to be here if business is to be transacted, so that they will not go home, and then when the time comes not be able to transact any business because no one will be here.

Mr. KITCHIN. If it is satisfactory to the House, we shall have an understanding now, that when we adjourn from Tuesday, say, we will adjourn until Friday, and from Friday to Monday, and that on Monday we can then adjourn until Thursday.

Mr. MANN. I think that will be the wisest course, because my judgment, based on observation of the past, would be that the House would not be prepared to consider the river and harbor bill by items on Monday, preceding New Year's Day, or in the holiday week, unless we proceed all of next week; but having vacation for practically six days, a great many Members will go away. I doubt whether it is desirable to punish those who do come back by getting them to come back, when it is certain that we will not do anything.

Mr. KITCHIN. Of course, there is no desire to punish anyone, but in the arrangement some one might be punished. Whatever is done will have to be done by unanimous consent.

Mr. MANN. Oh, no; it could be done by announcement. When the gentleman from North Carolina makes an announcement, that would settle the matter.

Mr. KITCHIN. Then I will make this announcement.

Mr. GREEN of Iowa. Before the gentleman makes the announcement, will he yield for another suggestion?

Mr. KITCHIN. Yes.

Mr. GREEN of Iowa. Was there not some report from the Committee on Elections that was to come up?

Mr. KITCHIN. That is on January 3. I make this announcement, that I shall ask unanimous consent on Tuesday that when we adjourn we adjourn over until the following Friday, with the understanding that nothing will be done on Friday except to go over until the following Monday, and then on Monday I shall ask unanimous consent to go until the following Thursday.

Mr. SLAYDEN. That takes you until what date?

Mr. KITCHIN. Thursday, because there is already one matter set for January 3, an election contest.

Mr. MOORE of Pennsylvania. Is the gentleman from North Carolina satisfied that we will have a quorum here on Tuesday to take up the river and harbor bill?

Mr. KITCHIN. I just want to say with respect to the river and harbor bill, we will have general debate on Monday, and if the chairman of the committee would prefer that on Tuesday we do not take up the bill but adjourn from Monday after general debate, instead of on Tuesday, until Thursday, and then until Monday and until Thursday, we would be able to do that.

Mr. TOWNER. With the understanding that on Thursday as on Monday there will be no business transacted.

Mr. FOSTER. No; I do not agree to that.

Mr. TOWNER. The statement was made by the Speaker a short time ago.

Mr. FOSTER. The gentleman means the day after Christmas?

Mr. TOWNER. Yes.

Mr. FOSTER. That is all right.

Mr. KITCHIN. The only thing I can say is that I will ask unanimous consent on those days to adjourn over.

Mr. MANN. I think it is perfectly safe to say that probably there will be no quorum here and the House will be protected in the absence of a quorum if any person should object to adjourning over. I am not going home.

Mr. HAWLEY. If the gentleman will yield, the statement the gentleman has already made indicated that there will be a gentleman's agreement for an adjournment of three days at a time until Thursday, January 2?

Mr. KITCHIN. Yes. It is a question of adjourning Monday or Tuesday, and I would ask the gentleman from North Carolina [Mr. SMALL] as to his committee's desire to go on on Tuesday?

Mr. SMALL. Mr. Speaker, it is the desire of the committee, if possible, to conclude general debate before the Christmas recess. On this side there are requests for time which in the aggregate only amount to about an hour. I have not conferred with Mr. KENNEDY, the ranking minority member of the committee; he does not seem to be in the Hall, but it is the desire to conclude general debate.

Mr. MANN. I think there will be no trouble in concluding general debate on Monday or Tuesday with the understanding we are not to proceed with the reading of the bill under the five-minute rule before the holidays.

Mr. SMALL. Not until Thursday, January 2; that is satisfactory.

Mr. KITCHIN. We will adjourn over when we finish general debate—

Mr. MANN. Monday or Tuesday.

Mr. KITCHIN. When we finish general debate, whether it is Monday or Tuesday, I shall ask unanimous consent to adjourn over three days at a time until after January 2, with the understanding that nothing will be done except the reading of the Journal and a motion made to adjourn.

Mr. MANN. Why not, if it is possible to make an agreement, ask for it now?

Mr. KITCHIN. The only thing I could do under existing circumstances is to make this request, and I think the House will give unanimous consent.

Mr. McKENZIE. Will the gentleman from North Carolina yield for a question?

Mr. KITCHIN. I will.

Mr. McKENZIE. I simply wanted to inquire of the gentleman from North Carolina about a bill known as the contract bill, reported from the Committee on Military Affairs, which I understand is to come up on Monday—

Mr. KITCHIN. On Monday morning.

Mr. DUPRÉ. And will have precedence over the river and harbor bill.

Mr. McKENZIE. That is very important.

Mr. KITCHIN. The River and Harbor Committee will yield, I understand, to the gentleman from Alabama, chairman of the Committee on Military Affairs, to ask unanimous consent to consider that bill.

Mr. MANN. It can only come up by unanimous consent.

Mr. KITCHIN. Yes; and it will also yield to the gentleman from Virginia [Mr. MONTAGUE] to ask unanimous consent to consider his charter bill.

Mr. MOORE of Pennsylvania. Will the gentleman yield?

Mr. KITCHIN. I will.

Mr. MOORE of Pennsylvania. I would like to know whether the gentleman means we shall quit after general debate on the river and harbor bill, without commencing the reading of the bill?

Mr. KITCHIN. Yes.

Mr. MOORE of Pennsylvania. I am frank to say that there ought to be a quorum here if we are to begin the reading of the bill on Tuesday, but I understand from the gentleman there is to be nothing but general debate?

Mr. KITCHIN. That is all.

Mr. FESS. Will the gentleman yield?

Mr. KITCHIN. I will.

Mr. FESS. Could not we arrange this discontinuance on Monday, as there are some of us who would like to be home on Christmas eve?

Mr. KITCHIN. There will not be anything but general debate. We have agreed to that, on the river and harbor bill. After the general debate is concluded, I shall ask unanimous consent to adjourn over.

Mr. FESS. Those of us who desire to go home would like to be home on Tuesday evening.

Mr. KITCHIN. I think the gentleman would be perfectly safe in going home Monday night.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted to Mr. GRAHAM of Illinois, indefinitely, on account of important business.

EULOGIES ON SENATOR GALLINGER.

Mr. BURROUGHS. Mr. Speaker, I ask unanimous consent that Sunday, January 19, 1919, be set aside for addresses on the life, character, and public services of Hon. JACOB H. GALLINGER, late United States Senator from the State of New Hampshire.

Mr. PARKER of New Jersey. Mr. Speaker, eulogies on Mr. STERLING of Illinois have been set for that day.

The SPEAKER. There are so many they will have to be doubled up if we are going to have them on Sunday.

Mr. KITCHIN. I did not understand the request of the gentleman from New Hampshire.

Mr. BURROUGHS. I asked unanimous consent for the making of addresses on Senator GALLINGER's life and public services for the 19th of January.

Mr. KITCHIN. There is no objection to that.

Mr. BURROUGHS. I understand now the gentleman from New Jersey says that that date has been set aside for another purpose. I will therefore modify the request and make it January 26.

The SPEAKER. There is one set aside for that date—Senator BROUSSARD.

Mr. MANN. It does not make any difference.

The SPEAKER. The Chair stated a moment ago there are so many eulogies we will have to double up and have two at a time.

Mr. BURROUGHS. Then, I will renew my request for the 19th, as originally stated.

The SPEAKER. The gentleman from New Hampshire asks unanimous consent that Sunday, January 19, be set apart for memorializing Senator GALLINGER at the same time the gentleman from Illinois [Mr. STERLING] is memorialized. Is there objection? [After a pause.] The Chair hears none.

Mr. KITCHIN. Mr. Speaker, I move that the House do now adjourn.

EXTENSION OF REMARKS.

Mr. STEENERSON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on the subject of the postal telegraph.

The SPEAKER. The gentleman from Minnesota asks unanimous consent to extend his remarks in the RECORD on the question of the postal telegraph. Is there objection?

Mr. KITCHIN. Reserving the right to object, I hope the gentleman will withdraw that and wait until Monday, because several gentlemen have asked for the same thing, and I have asked them to wait until that time.

Mr. STEENERSON. All right.

ADJOURNMENT.

The SPEAKER. The question is on the motion of the gentleman from North Carolina [Mr. KITCHIN] that the House do now adjourn.

The motion was agreed to; accordingly (at 12 o'clock and 21 minutes p. m.) the House adjourned until Monday, December 23, 1918, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, a letter from the Secretary of the Treasury, transmitting items to be included in the sundry civil bill for the fiscal year 1920 (H. Doc. No. 1610), was taken from the Speaker's table, referred to the Committee on Appropriations, and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. GRIFFIN, from the Committee on Public Buildings and Grounds, to which was referred the bill (H. R. 13026) to authorize the Secretary of the Treasury to provide hospital and sanitarium facilities for discharged sick and disabled soldiers and sailors, reported the same with amendment, accompanied by a report (No. 879), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. SMALL: A bill (H. R. 13462) making appropriations for the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes; to the Committee of the Whole House on the state of the Union.

By Mr. CRAMTON: A bill (H. R. 13463) to amend section 3 of public act No. 106 of the Sixty-fifth Congress, entitled "An act to save daylight and to provide standard time for the United States," approved March 19, 1918; to the Committee on Interstate and Foreign Commerce.

By Mr. DENT (by request): A bill (H. R. 13464) to amend the medals of honor, distinguished-service crosses, and distinguished-service medals provisions of the Army appropriation act, approved July 9, 1918; to the Committee on Military Affairs.

Also, a bill (H. R. 13465) to create in the Army of the United States a corps to be known as the Corps of Chaplains; to the Committee on Military Affairs.

By Mr. BANKHEAD: A bill (H. R. 13466) making certain items of appropriation contained in section 8 of the vocational rehabilitation act, approved June 27, 1918, available for additional purposes and construing the term "family allowance," as contained in section 2 thereof; to the Committee on Appropriations.

By Mr. DENT (by request): A bill (H. R. 13467) fixing the rank, pay, and allowances of chaplains in the Army; to the Committee on Military Affairs.

By Mr. WHITE of Ohio: A bill (H. R. 13468) to provide an extension to the post office at Zanesville, Ohio; to the Committee on Public Buildings and Grounds.

By Mr. CRAMTON: A bill (H. R. 13469) to authorize the Secretary of the Interior to issue patent in fee simple to the county of Huron, in the State of Michigan, for a certain described tract of land for public park purposes; to the Committee on the Public Lands.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BURROUGHS: A bill (H. R. 13470) for the relief of John Chick; to the Committee on Military Affairs.

By Mr. CARAWAY: A bill (H. R. 13471) granting a pension to Thomas W. Breckenridge; to the Committee on Pensions.

By Mr. COX: A bill (H. R. 13472) granting a pension to Luther Sloan; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13473) granting an increase of pension to Jacob Eberts; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13474) granting a pension to Ella May Sloan; to the Committee on Invalid Pensions.

By Mr. DENTON: A bill (H. R. 13475) granting a pension to Greenup T. Berlin; to the Committee on Invalid Pensions.

By Mr. LINTHICUM: A bill (H. R. 13476) granting a pension to George Polletti; to the Committee on Pensions.

By Mr. MONTAGUE: A bill (H. R. 13477) granting an increase of pension to Young W. Cordell; to the Committee on Pensions.

By Mr. ROUSE: A bill (H. R. 13478) granting an increase of pension to William Boone; to the Committee on Invalid Pensions.

By Mr. WHITE of Ohio: A bill (H. R. 13479) granting a pension to Rhoda E. Pryor; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. CURRIE of Michigan: Petition of R. A. Elias, William E. Strong, Nelson Dow Griswold, Herbert S. Beckwith, Ronald P. Lowry, and W. A. Robinson, jr., amateur wireless operators, protesting against House bill 13159, which provides

for the taking over of all radio stations; to the Committee on the Merchant Marine and Fisheries.

By Mr. KENNEDY of Rhode Island: Resolution of board of aldermen of the city of Newport, R. I., protesting abandonment of work on housing proposition at Newport, R. I.; to the Committee on Public Buildings and Grounds.

By Mr. LINTHICUM: Resolution of the Baptist Ministers' Conference of Baltimore and vicinity, urging a league of nations; to the Committee on Foreign Affairs.

By Mr. RAKER: Brief of Dr. Wilson Compton, relative to the definition of "Invested capital" as applying to the pending revenue bill; to the Committee on Ways and Means.

Also, petition of California White and Sugar Pine Manufacturers' Association, relative to capital, surplus, and undivided profits in the revenue bill; to the Committee on Ways and Means.

By Mr. SMITH of Michigan: Petition of H. A. Stafford, president of the Brotherhood Railway Clerks, Lodge No. 338, Kalamazoo, Mich., favoring the retention of William G. McAdoo for Railroad Director; to the Committee on Interstate and Foreign Commerce.

By Mr. VARE: Petition of residents of Philadelphia, protesting against the enactment of legislation restricting the use of wireless apparatus; to the Committee on the Merchant Marine and Fisheries.

Also, memorial of Philadelphia Maritime Exchange, indorsing resolutions adopted by the Atlantic Deepwater Waterways Association; to the Committee on Rivers and Harbors.

Also, resolutions of Pennsylvania Branch of Women's Peace Party of Philadelphia, discussing terms of peace; to the Committee on Foreign Affairs.

Also, petition of Logan Iron & Steel Co., Philadelphia, protesting against the enactment of legislation looking to the adoption of the metric system; to the Committee on Coinage, Weights, and Measures.

SENATE.

Monday, December 23, 1918.

(Legislative day of Sunday, December 15, 1918.)

The Senate met at 10 o'clock a. m., on the expiration of the recess.

The VICE PRESIDENT resumed the chair.

Mr. WARREN. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Johnson, S. Dak.	Penrose	Spencer
Chamberlain	Jones, Wash.	Pollock	Sterling
Cummins	Kenyon	Saulsbury	Thomas
Dillingham	Knox	Shafer	Vardaman
Gerry	Lenroot	Sheppard	Warren
Gronna	Martin, Va.	Simmons	Williams
Hale	Nugent	Smith, Ariz.	
Henderson	Overman	Smith, Ga.	
Johnson, Cal.	Page	Smoot	

Mr. SAULSBURY. I desire to announce that the senior Senator from Maryland [Mr. SMITH] is necessarily absent temporarily on very important business.

The VICE PRESIDENT. Thirty-three Senators have answered to the roll call. There is not a quorum present. The Secretary will call the roll of absentees.

The Secretary called the names of the absent Senators, and Mr. HITCHCOCK, Mr. McCUMBER, Mr. McNARY, Mr. NELSON, Mr. POINDEXTER, Mr. TRAMMELL, and Mr. WEEKS answered to their names when called.

Mr. KELLOGG, Mr. NEW, Mr. NORRIS, Mr. FRANCE, Mr. CURTIS, Mr. CULBERSON, Mr. KIRBY, Mr. UNDERWOOD, Mr. TOWNSEND, Mr. McKELLAR, Mr. KING, Mr. WATSON, Mr. LA FOLLETTE, Mr. SUTHERLAND, Mr. HARDING, and Mr. POMERENE entered the Chamber and answered to their names.

Mr. McKELLAR. I wish to announce that the senior Senator from Tennessee [Mr. SHIELDS] is absent on account of illness.

Mr. SUTHERLAND. My colleague, the senior Senator from West Virginia [Mr. GOFF], is detained by illness.

Mr. GERRY. I desire to announce that the Senator from Kentucky [Mr. BECKHAM], the Senator from California [Mr. PHELAN], the Senator from Nevada [Mr. PITTMAN], and the Senator from Wyoming [Mr. KENDRICK] are detained on official business.

Mr. CURTIS. I wish to announce that the Senator from Illinois [Mr. SHEERMAN] is detained at home by illness.

The VICE PRESIDENT. Fifty-seven Senators have answered to the roll call. There is a quorum present.